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The Potential for Cooperative Housing to Create and Preserve Affordable Housing in Pittsburgh, Pennsylvania

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The Potential for Cooperative Housing to Create and Preserve Affordable Housing in Pittsburgh, Pennsylvania

By

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Report

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To my father, a victim of systemic poverty

To my mother and brother, triumphant survivors of systemic poverty

"Rich fellas come up an' they die, an' their kids ain't no good an' they die out. But we keep a'comin'. We're the people that live. They can't wipe us out; they can't lick us. We'll go on forever, Pa, 'cause we're the people."

- Ma Joad (The Grapes of Wrath)

In memory of my father, Garry McAuley 1951-2014

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The Potential for Cooperative Housing to Create and Preserve Affordable Housing in Pittsburgh, Pennsylvania

by

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The University of Texas at Austin, 2015
SUPERVISOR: Elizabeth Mueller

Similar to national trends Pittsburgh, Pennsylvania is experiencing an increase in demand for affordable housing as the supply of such housing decreases. In order to create and preserve affordable housing to lessen this gap, this report explores the potential for housing cooperatives to increase the supply of affordable housing. The report assesses different equity structures as well as cultures of housing cooperatives to match models to Pittsburgh's needs. The report proposes the creation of housing cooperatives through utilizing Pittsburgh's vacant lot and structure inventory. Vacancies were only selected if the parcels were deemed high opportunity and high need for affordable housing. Once parcels were selected a deeper exploration into neighborhood plans and city land policies were analyzed to propose policies to integrate housing cooperative implementation.

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Introduction

The mission of this report is to explore the potential for housing cooperatives to sustain and create affordable housing in Pittsburgh, Pennsylvania. In order to create a comprehensive proposal for these housing cooperatives, various co-op models were explored to find the most fitting models to serve the mission of this report. The capacity of replicability of particular models in Pittsburgh was a high priority. For example, does the cooperative employ policies like Pittsburgh's land bank to develop their cooperative? Or do the cooperatives align with populations that have a need for affordable housing in Pittsburgh? And do the physical structures best suited to co-ops already exist within Pittsburgh's building stock or is there opportunity for this form of development?

Once appropriate co-op models are determined, then the areas of Pittsburgh that are not only most in need of affordable rental housing but also areas of high opportunity as to most benefit the future residents of the co-op were determined. The level of opportunity was determined by metrics that measured access to public transit, public amenities, and highest performing public schools. Need was determined by the highest percentage of renters paying over 30% of their income on housing on a Census block level. The metrics of opportunity were then paired with ArcGIS to run analysis through buffering the metrics and distance to vacant parcels in block groups with high affordable housing needs to determine qualified vacant parcels for co-op conversion. In order to increase the likelihood of the housing cooperatives' implementation, neighborhood plans of block groups that have qualified were analyzed for the potential to incorporate housing cooperatives into their plan. Lastly, I specifically identified two neighborhoods that I find most befitting for housing cooperatives and recommended specific co-op models they should emulate to create or preserve affordable housing.

One may wonder why I have chosen housing cooperatives to supplement affordable housing needs in Pittsburgh rather than methods such as density bonuses or inclusionary zoning policies. I have chosen to propose housing cooperatives as a solution for Pittsburgh's affordable housing needs because they are highly moldable in relation to the needs and population they serve, can be financed using private or public funds, tenure can be tenant ownership to tenant short term leasing, and are easily adjusted to local policy environment and building stock. The benefits of housing cooperatives have been rediscovered through recent economic downturns, along with the concept of a sharing economy, gaining prominence because of the desire to make more with less. This ideology directly ties with cooperatives that have a value system of mutual housing that benefits from shared spaces and resources. Not only do housing cooperatives have the potential to offer permanent affordability, they also offer social capital at a rate that no other affordable housing model does. Tenants are encouraged to self manage and collaborate with other tenants to ensure the cooperative best serves them. Social capital creation is only made possible with the foundational framework of mutuality in the cooperative, allowing tenants to create a co-op to best serve their needs and desires.

Shared equity ownership is often utilized through community land trust cooperatives and has been increasing in the past twenty-five years to preserve land from speculation, decrease gentrification, and eliminate barriers to affordable homeownership. Housing cooperatives are especially fitting in shrinking cities like Pittsburgh that are trying to manage and maximize opportunities to re-occupy their ever-increasing stock of vacant lots and buildings. Housing cooperatives are of course not the single solution to affordable housing needs but rather one of many solutions to a problem that is daunting and pervasive.

Literature Review and Chapter Outline:

This report has been created under the belief that affordable housing is essential for all sustainable communities. This belief is built upon *Housing Policy in the United States* by Alex F. Schwartz who contextualizes the U.S. history of affordable housing policies and the pervasiveness of affordable housing needs. Schwartz explains the importance of a home in American society by detailing all that a home effects, “the primary setting for family and domestic life, a place of refuge and relaxation from the routines of work and school, a private space…Housing is also valued for its location, for the access it provides to schools, parks, transportation, and shopping; and the opportunity to live in the neighborhood of one's choice" (Schwartz, 2015). According to Schwartz "about 125 million Americans—around 40% of the nation's population and far more than double the 48.6 million lacking health insurance in 2011—confronted serious housing problems or had no housing at all" (Schwartz, 2015). *The Affordable Housing Reader* edited by J. Rosie Tighe and Elizabeth J. Mueller carries on Schwartz's sentiments, by focusing on policy that believes housing "is more than shelter, and its location is central to its value" (Mueller, 2013). The *Reader* documents policies that have focused "not only on the home itself, but also the neighborhoods, and by the public services and social relationships present in particular places" (Mueller, 2013).

Following the establishment that affordable housing is needed and valuable and its location is key for the sustainable development or revitalization of an area, chapter one will analyze and establish the affordable housing needs for the Pittsburgh area including, Allegheny County. The few published reports or literature on Pittsburgh's specific affordable housing needs are: Pittsburgh's Consolidated Plan, CAPER (reporting document on use of HUD funds), and the 2014 annual action plan. I relied heavily on an unpublished ten year action plan from the leading nonprofit in affordable housing development and research in Pittsburgh: ACTION-Housing, Inc. Beyond these reports there are no other recent reports that are specific to Pittsburgh. Due to the lack of specific reports on Pittsburgh's affordable housing state, I depended upon direct sources like the

U.S. Census Bureau and The U.S. Department of Housing and Urban Development (HUD).

Once the need for affordable housing in the Pittsburgh area is established, the exploration of the potential for housing cooperatives to preserve and create affordable housing will begin in chapter two, where a brief history of housing cooperatives will be presented. Principle sources for the history and overview are *CO-OP The People's Business* by Johnston Birchall, Burlington Associates' John Davis' article *Shared Equity Homeownership: The Changing Landscape of Resale-Restricted, Owner-Occupied Housing,* and National Cooperative Law Center. Chapter three will include an overview of various co-op models. To create a framework for comparing the differing models, I will utilize Northcountry Cooperative Foundation's *Cooperative Housing Toolbox* that clearly explains different models along with the aforementioned Davis article on shared equity.

Once appropriate models for Pittsburgh's affordable housing needs are established in chapter three, chapter four will examine housing cooperatives across the country to find proper case studies to review as potential models for Pittsburgh. Important factors for selection of case studies were replicability for Pittsburgh, the level of establishment of the co-op (have they displayed an ability to function for several years) and whether their missions align with the needs of Pittsburgh. Data for this chapter directly relies on the housing co-ops themselves through their websites as well as personal and phone interviews with co-op members and organizers.

Chapter five expands upon chapter three by thoroughly matching case studies to Pittsburgh's needs and opportunities. The sources providing the basis for these matches are those that were relied upon for chapter three, as well as the data and literature for chapter four that is directly from co-ops and their members and organizers. Chapter five will be the foundation for chapter six that is a proposal for housing cooperative models for use in high opportunity and high need neighborhoods. The proposal will be supported by ArcGIS to identify vacant lots that could be acquired through the recently instated community land bank that are in high opportunity areas. Opportunity was reductively established by gauging quality of schools, access to transit, and community amenities such as public parks and community centers.

Chapter six builds upon chapter five to outline specifically how the proposed models can feasibly happen based upon current neighborhood plans and land bank legislation in Pittsburgh. Chapter six will introduce specific neighborhood plans in two neighborhoods that have been deemed high opportunity and high need for affordable housing, that also have vacant land and buildings. Chapter seven will also explore the potential for Pittsburgh's newly created land bank process to create affordable housing cooperatives. Unfortunately, Pittsburgh has never had a city-wide comprehensive plan so

I will look to specific neighborhood plans and recent city legislation enacting the city run land bank. Once relevant neighborhood plans and legislation are reviewed, recommendations for specific co-op models will be made. The report will end with a brief conclusion summarizing findings as well as steps to move forward in the creation of housing cooperatives in Pittsburgh.

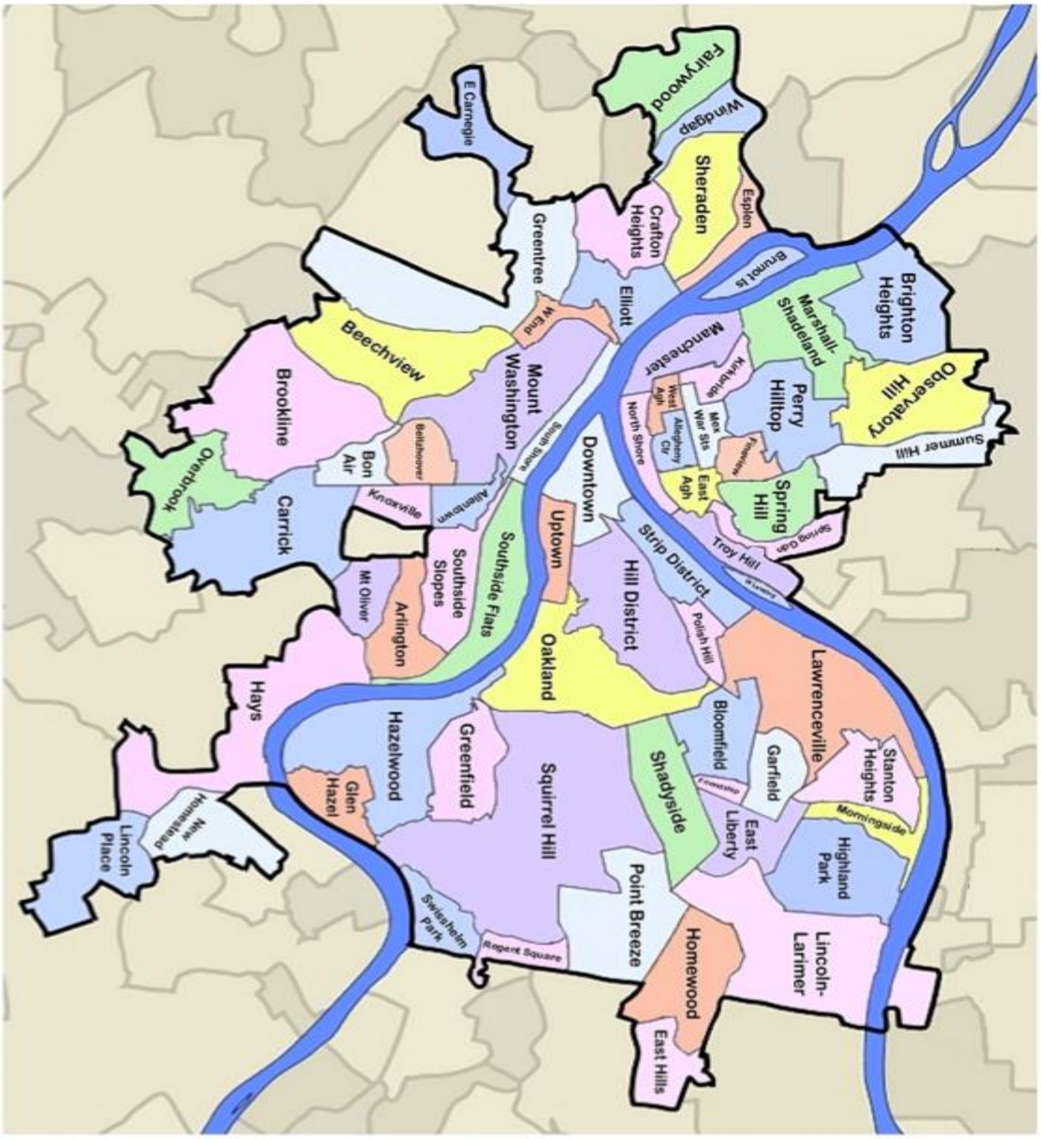

Figure 0-1: The Ninety Neighborhoods of Pittsburgh

(pinsburgh)

Chapter 1: The Pittsburgh Area's Need for Affordable Housing

This report explores the potential of housing cooperatives to preserve as well as create affordable housing in Pittsburgh, Pennsylvania. First an understanding of the need for affordable housing must be established for the city of Pittsburgh, as well as Allegheny County. Understanding the demand for affordable housing will inform how housing cooperatives can assist in the sustainment and creation of affordable housing.

This chapter will assess the current state of government-subsidized housing in Allegheny County as well as the areas and populations that are being underserved by the existing affordable housing efforts. Knowing the gaps in service will strengthen the prescription for resolution. Once the need is established, later chapters will offer solutions through an understanding of housing cooperatives as well as what models would best serve the city and county's needs.

Although Pittsburgh is often named one of the most affordable and livable cities in the country, there is a strong and immediate need for affordable housing (Brennan, 2012). There is also currently a substantial population in need of affordable housing in the region. In 2011, the average rent for a two-bedroom apartment in Allegheny County was $772.00 dollars (Action Housing Inc., 2012). As defined by the United States Department of Housing and Urban Development (HUD), housing is affordable if one spends 30% or less of annual household income on housing (HUD U.S. Department of Housing and Urban Development, 2015). For a household in Allegheny County one would have to earn $14.85 an hour, twice the current Pennsylvania minimum wage of $7.25 (Action Housing Inc., 2012). On the contrary, a person making minimum wage would have to work 82 hours to afford the average two-bedroom apartment. In 2011, an estimated 56% of Allegheny County renters currently cannot afford the two-bedroom Fair Market Rent (FMR). According to the 2012 U.S. Census' 5 Year Community Survey renters in need of affordable housing, paying over 30% of their income on housing, are found throughout the city as can be seen in map 1-1 below.

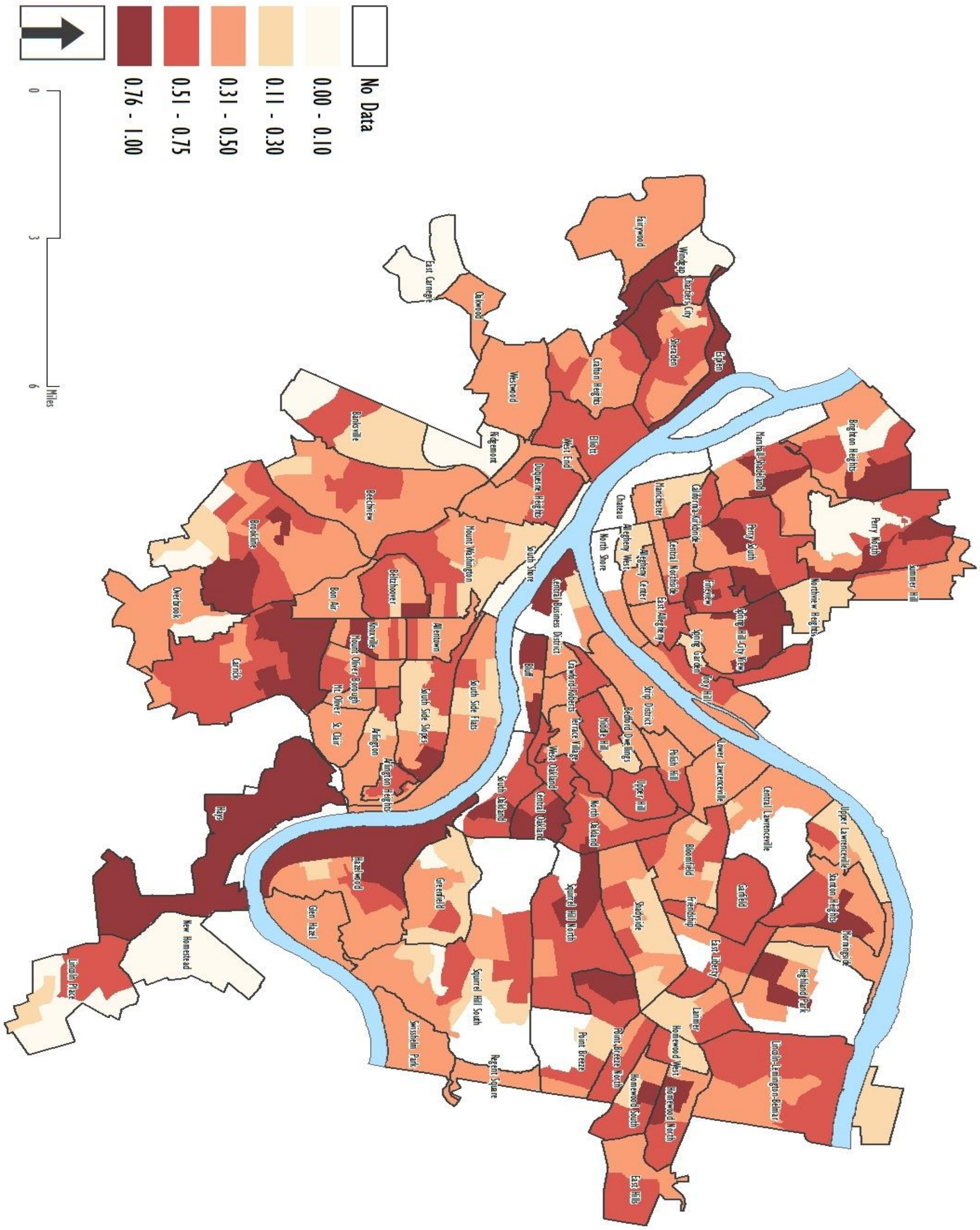

Figure 1-1: Percentage of Renters by Block Group in Pittsburgh Paying Over 30% of their Income on Rent

Now that the need for affordable housing in the city as well as Allegheny County has been established, a more nuanced understanding is integral to a proper solution. How does the 56% of the population in need of affordable rental housing break down and how can they specifically be served? Within the 56% of the population that cannot afford the Fair Market Rent for a two bedroom, there are varying levels of earning capacity. Deep affordability is required for those solely reliant on monthly Supplemental Security Income (SSI). According to the 2013 5 Year American Community Survey 7% of the city's population's sole income comes from SSI and 5% of the county's population (U.S. Census Bureau). A 2015 SSI recipient in Allegheny County receives $733.00 dollars, which means that he or she can only afford to spend $219 per month on housing (Social Security, 2015). As of 2013 the FMR for a one-bedroom apartment is $619 (HUD, 2013). This sector of the population must have some housing subsidy, as it is impossible for them to spend 90% of their income on housing.

In an analysis of renter versus owner affordability, renters are slightly more affected by unaffordable living costs in Allegheny County. Of 97,000 households earning less than $20,000 a year, 75% of homeowners and 83% of renters are paying over 30% of their income on housing. Of the 87,000 households earning between $20,000 and $34,999, 43% of owners and 56% of renters spend more than 30% of their income on housing (Action Housing Inc., 2012). The division of needs between renter and owner is important to understand to establish the best mode of intervention; a homeowner may benefit more from assistance with utilities than having the opportunity to own or lease in a housing cooperative. A renter with unaffordable living costs may benefit from rental assistance programs as well as the opportunity to live in a limited equity housing cooperative that ensures affordability.

The gap between supply and demand of affordable housing is not only likely to continue but increase. In Allegheny County both for-sale housing and rental costs are increasing, while median household income is decreasing. Between 2000 and 2010, median household income in Allegheny County decreased from $48,536 to $47,961 (U.S. Census Bureau, 2010), while median gross rent increased 5% from $653 to $688 and median housing value increased 8% from $106,622 to $115, 200 (Action Housing Inc., 2012). In Allegheny County between 2000 and 2010, the total number of units renting for less than $500 decreased by 54%, while the number of units renting for more than $1,000 increased by 300% (Action Housing Inc., 2012). These statistics urge that action be taken to ensure the gap between supply and demand for affordable housing does not grow further.

The status quo solution for affordable housing in American cities is government subsidized housing of various sorts. As in many cities in the U.S., this solution has been under-stocked and inaccessible through enormous waiting lists. The Housing Authority of the City of Pittsburgh (HACP) currently has a waiting list of 1,116 distinct households.

Of those 1,116 households, 75% of the households are waiting for one or two-bedroom units. The unit size and type required by those in need of housing assistance is important to factor in while creating solutions. Providers must understand what this population most requires, in order to build sustainable solutions that best accommodate their target population.

For the first time since the early 1990's HACP units are currently 95% occupied. The City of Pittsburgh's Section 8 program, which can help to diversify the location of affordable housing, has a closed waiting list. The last time it opened for applications, HACP received 9,000 applications in a two-week period. The application opens on average every 12-18 months and the housing authority cannot accept all that apply. The system allows for 5,000 applicants to be placed on the waiting list (Webner, 2014). Although the Section 8 voucher program was originally intended to allow voucher holders to access a diversity of locations for government subsidized affordable housing, there is no protection within Allegheny County for the source of income used to pay rent to be protected from discrimination. Through this lack of protection, Allegheny County has seen the Section 8 voucher continue the tendency for poverty to concentrate. The status quo system of affordable housing has derailed and needs to be repaired along with the creation of diverse models. Housing cooperatives are one such model.

The lack of location diversity of Section 8 recipients is more difficult to map as individuals' locations are possibly changing on a monthly basis. Map two shows all government subsidized low-income and supportive housing developments in Allegheny County's Department of Human Services' database.

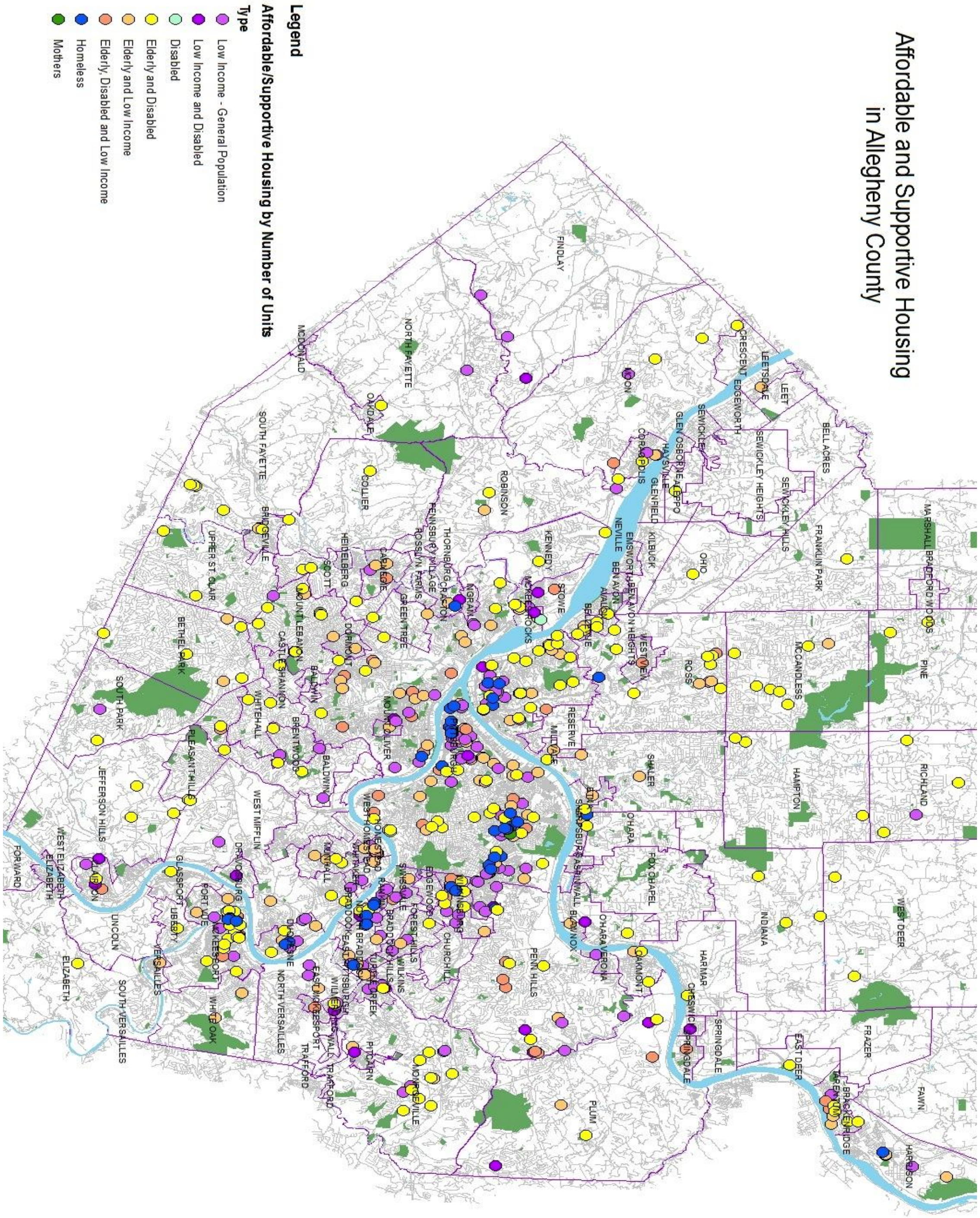

Figure 1-2: Affordable and Supportive Housing in Allegheny County (Action Housing Inc., 2012)

Overall, of the approximately 17,040 units of low-income and supportive housing that are not exclusively elderly in the county, 63% are located in the City of Pittsburgh or the Mon Valley area. Of the 28,200 units that are for low-income and/or disabled elderly, only 36% are in the City of Pittsburgh or the Mon Valley. Two important issues arise from this location disbursement of low-income and supportive housing developments. First, although senior housing is very diversely located within the county, they are under-represented in areas like the City of Pittsburgh that provide access to a plethora of community amenities and higher frequency public transit. Issues of access to amenities and transit must be considered when locating senior housing to ensure sustainable independent living. Many of the current senior housing developments are quite isolated in low-density areas of Allegheny County.

The second locational issue is that many areas in Allegheny County, that have experienced recent economic development resulting in increased jobs, are underserved by low-income housing developments for both the general population and the disabled low-income population. Most distinctly the South Hills, North Hills, and airport corridor (far west) are exceedingly underserved by affordable housing. Map 1-3 displays jobs that pay less than $1,250 a month; anyone relying on this income would need some form of subsidy for housing.

Map 1-3 is overlaid with the locations of subsidized affordable housing; through the overlay one can see areas where subsidized affordable housing options are starkly underrepresented. Also, the highly connected transit areas are predominately downtown and in the Oakland neighborhood that houses several colleges and hospitals. Affordable housing is only one part to a movement of sustainable development and must be integrated with the development of services and community amenities accessible via transit. To move forward, affordable housing must be located in areas that are readily connected to transit, jobs, and community amenities. When planning job, transit, and community amenity corridors, the incorporation of affordable housing must be factored in.

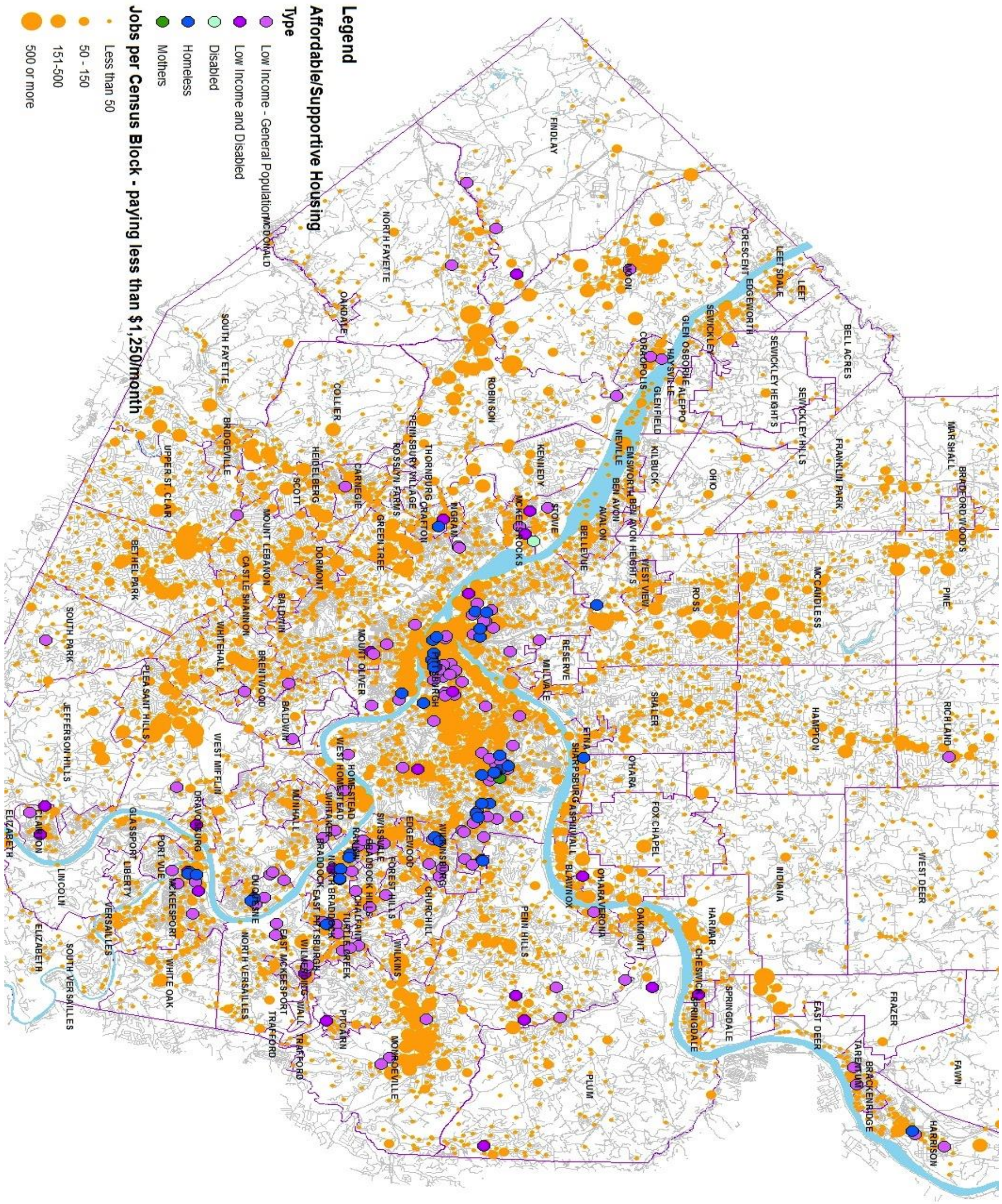

Figure 1-3: Affordable and Supportive Housing Facilities and Income of Residents (Action Housing Inc., 2012)

Beyond the need for low-income general population housing in Allegheny County, there is also a great need for affordable housing addressing vulnerable communities that are more likely to need subsidized affordable supportive housing such as the physically and mentally disabled, veterans, victims of domestic abuse, and those that have recently aged out of foster care. Supportive housing is broadly defined as "housing linked with social services designed for the needs of the population being housed" (Action Housing Inc., 2012). There are a myriad of disabilities that require a variety of supportive services, and because a number of disabled have more than one disability, most supportive housing caters to several different needs.

		Percent Below Poverty	
Age	**Total Population**	**With a Disability**	**No Disability**
Population Under 5	62,867	29.9%	19.8%
5-17	175,684	33.5%	16.0%
18-34	262,803	33.2%	17.6%
35-64	492,552	27.8%	6.4%
65-74	94,498	13.7%	5.9%
75 or Over	102,656	12.5%	7.5%
Total	**1,191,060**	**22.1%**	**11.5%**

Table 1-1: Demographics of the Population living in Poverty in Allegheny County

(This table describes only residents that are living in poverty in Allegheny County, i.e., in Allegheny County 11.5% of the non-disabled population live in poverty and 22.1% of the disabled population lives in poverty)

This chapter clearly illustrates a strong need for affordable housing. Between 56% and 75% of low income renters in Allegheny County are paying over 30% of their income on housing. The chapter also demonstrates that specific populations that are in dire need of specialized affordable housing such as those with physical and/or mental disabilities, those that are recent victims of domestic abuse, veterans, seniors, and adults that have recently aged out of foster care. In terms of location, there is a need for affordable housing to be placed in areas with access to jobs, transit, and community amenities. While co-ops do not currently focus on all of the sub-populations, fortunately, there are housing cooperatives that focus on housing veterans and seniors. These models and other models of cooperatives will be analyzed in this report to conclude how housing cooperative can best serve the affordable housing needs of Pittsburgh.

Chapter 2: History of Housing Cooperatives

In order to determine if housing cooperatives offer a solution to Pittsburgh's affordable housing needs, it is important to understand how and why housing cooperatives were created and the needs they serve best. This chapter will explore the history (predominately U.S.) of housing cooperatives, the values they were built on, and how they have adjusted throughout history to serve different populations' and eras' needs. Having a deeper understanding of the framework of housing cooperatives will allow for a more precise prescription for Pittsburgh.

The history and development of housing cooperatives in general has been shaped by the state of the economy. Individual co-ops vary according to values and policies that shape its creation, expansion, and sustainability. In *The History of Co-Ops* by the National Cooperative Law Center, it is claimed that housing cooperatives have existed since Babylon, "where documents describe two owners sharing separate floors of a house; to ancient Rome where the Digest of Justinian refers to separate ownership of a house but shared ownership of a common roof " (The National Cooperative Law Center, 2011). The most commonly accepted and published beginning of cooperatives is the Rochdale Cooperative. In 1844, in Rochdale, England during the Industrial Revolution, workers were disillusioned by having to buy poor quality goods at a high price and created a cooperative general store owned and run by several members, calling themselves the Rochdale Society of Equitable Pioneers (Birchall, 1994).

The Rochdale Co-op was shaped by the now famed Rochdale Principles:

1. Open membership
2. Democratic control
3. Distribution of surplus in proportion to trade
4. Payment of limited interest on capital
5. Political and religious neutrality
6. Cash trading (no credit extended)
7. Promotion of education

(The National Cooperative Law Center, 2011)

These principles have been greatly embraced by cooperatives internationally. In 1995 the International Cooperative Alliance (ICA) approved the current version of Rochdale principles that they still hold to be the root of co-op principles:

1. Voluntary and Open Membership– Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political, or religious discrimination.

2. Democratic Member Control– Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote), and cooperatives at other levels are also organized in a democratic manner.

3. Member Economic Participation– Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members allocate surpluses for any of the following purposes: developing their cooperative, possibly by setting up reserves, part of which would at least be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. Autonomy and Independence–Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, they do so on terms to ensure democratic control by their members and maintain their cooperative autonomy.

5.Education, Training, and Information–Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.

6. Cooperation Among Cooperatives–Cooperatives service their members most effectively and strengthen the cooperative movement by working together through local, national and international structures.

7. Concern for Community–Cooperatives work for the sustainable development of their communities through policies approved by their members.

(The National Cooperative Law Center, 2011)

The Rochdale Pioneers quickly went on to expand to include a housing cooperative. The Pioneers believed that it would assist "… those members desiring to assist each other improving their domestic and social conditions, may reside; the formation of worker cooperatives to help the unemployed; the purchase of land for common cultivation; and, the promotion of education and sobriety." (The National Cooperative Law Center, 2011). The United States developed their first co-ops in the early 20th century. In 1925 there were sixteen housing cooperatives in the United States, half were in New York City, the rest in major cities such as Chicago, Detroit, and Buffalo. Surprisingly, most of the co-ops were high-income cooperatives having already lost the spirit of the Rochdale Pioneers that were worker based (The National Cooperative Law Center, 2011). What was also lost was the "open membership" value of inclusivity. The high income co-ops were known to reject membership based upon race, ethnicity, or religious background. There was no protection against discrimination for the prospective residents as no fair housing laws had been instituted.

In 1927 the New York State Limited Dividend Housing Companies Act of 1927 made possible housing cooperatives for the purpose of providing affordable housing. The Act allowed for significant tax exemptions for fifty years and authorized the use of eminent domain for investors to build middle-income housing. The Act facilitated the creation of thirteen housing cooperatives (The National Cooperative Law Center, 2011). One of the thirteen was a highly successful co-op sponsored by the Amalgamated

Clothing Workers Union. The co-op was funded by union pension funds as well as conventional loans. It began with 300 units and eventually grew to 1,400. The co-op was able to informally maintain affordability through the location, unit sizes, and connection with the union (The National Cooperative Law Center, 2011).

The Great Depression had a drastic effect on higher income co-ops; by 1934 over seventy-five percent of cooperatives in New York and Chicago went bankrupt. It is believed that the more affordable co-ops were more likely to survive. This was proven by survival of all thirteen New York City co-ops created under the New York State Limited Dividend Housing Companies Act of 1927. The Depression pointed out that a major flaw for the housing cooperative model is that when residents cannot pay, the whole co-op will default if no emergency funds have been set aside. Just as the Depression killed many co-ops, it birthed a new concept of cooperative housing through student cooperation. The creation of student cooperatives in the Great Depression came out of the students' desire to save money and share a large home with twenty rooms or more.

During the era of World War II there were several policies to incentivize housing cooperatives. First was Section 216 of the IRS code in 1942 that "allowed for income tax deductions for mortgage interest and property taxes for cooperative members" (The National Cooperative Law Center, 2011). This enactment was important to encouraging homeownership through housing cooperatives because it made traditional home ownership equal to cooperative home ownership in regards to tax incentives. A second policy enacted post-World War II was the Lanham Act of 1949, which appropriated Federal funds for war housing as well as community facilities, further advancing the conversion of public housing to affordable housing cooperatives (HUD U.S. Department of Housing and Urban Development, 2015). Tenants drove the transition as it was stipulated that the tenants must sponsor the conversion (Community Associations Institute, 2013). Because of the Lanham Act several new cooperatives were created like the Greenbelt Homes (1,500 units in Greenbelt, Maryland); Armistead Gardens (1,600 public housing units in Baltimore, Maryland); Pennypack Woods (1,000 in Philadelphia, Pennsylvania); and Success Village (924 public housing units in Bridgeport, Connecticut) (The National Cooperative Law Center, 2011).

The National Housing Act of 1950 also encouraged housing cooperatives by insuring forty-year blanket mortgages for cooperatives and rental communities. This guarantee allowed for private lenders to feel more secure lending to cooperatives. Section 213 was added to the Act to specifically include middle-income cooperatives. The legislation is credited with creating 45,000 cooperative units known as “213 Cooperatives” (The National Cooperative Law Center, 2011). The act is still seen as greatly successful due to the program having one of the lowest rates of default of any HUD (FHA) mortgage insurance program (The National Cooperative Law Center, 2011).

During the 1960s, two of the largest housing cooperative organizations in New York City were created. The Association of Middle Income Housing, now named the Metropolitan Mutual Housing Association, created the 420 unit Chatham Green cooperative in 1962. By 1965, the United Housing Foundation (UHF) and its predecessors had created twenty-three housing cooperatives in New York City. UHF projects ranged in size from 124 mutual housing units to Rochdale Village's 5,860 units that also included cooperative food stores, nursery schools, a credit union, and several civic and social organizations (The National Cooperative Law Center, 2011).

Housing cooperatives were once again hit by an economic recession in 1974. Many cooperatives that were less than five-years-old defaulted on payments. To save the housing cooperatives, HUD made Section 8 subsidies available to supplement co-ops and prevent defaulting. The temporary approval of Section 8 to fund housing cooperatives influenced a permanent change for affordable housing implementation to shift from below-market rate interest to Section 8 funding. Public housing also shifted to very low-income rather than the middle-income housing that affordable housing cooperatives had catered to.

As American society reemerges from another economic recession, housing cooperatives have been rediscovered as an alternative form of affordable housing and community. Many of the housing cooperatives that are profiled in this report are not new but instead have displayed a flexibility to evolve with society's constantly changing needs. Some of the profiled housing co-ops are indeed new, learning from older co-ops as well as inspiring new and old to learn from their innovative practices. In the next chapter, one will be able to see the variety that is offered through the four predominant structures of housing cooperatives. In chapter four the reader will see how these structures lend to even more diversity through review of case studies of housing cooperatives.

Chapter 3: Models of Housing Cooperatives

The co-op models considered in this report are viewed for their potential to provide affordable housing. Not all housing cooperatives' missions strive for affordability, and we will briefly discuss the market rate model, in this chapter. Moving forward in the report, only cooperative models that distinctly strive for housing affordability will be profiled. The next chapter will assess how these frameworks materialize into cooperatives on the ground. These examples will be explored for their potential to serve Pittsburgh's population that is in need of affordable housing.

The Northcountry Cooperative Foundation and Development Fund has provided a useful framework for defining co-op types. Housing cooperatives can easily be divided into three categories in terms of their ownership structure: market rate, limited equity, and leasing. Shared equity is a fourth category of a cooperative less easily defined and often considered a hybrid of limited equity and leasing cooperatives.

Market Rate:

Essentially, market rate cooperatives do not limit the owner's ability to build wealth (equity) through ownership. Market rate co-ops are sold at the market value similar to the way a single family home or condominium would be sold. By definition, a market rate cooperative sounds as if it is purely a condominium, however there are many differences. Market rate cooperative residents do not own their unit but rather own a share of the cooperative corporation, which owns the building as a whole. Residents are affiliated with a unit through a binding long-term lease. Another difference is that residents of the co-op are members and therefore have the power to decide who else will be accepted as a member of the co-op. Lastly, unlike a condo, co-op members can borrow against the property as a whole to improve the infrastructure of the community. Condo owners can only borrow against their property to improve their individual unit (Northcountry Cooperative Foundation, 2003).

Limited Equity Cooperative:

A limited equity cooperative (LEC) has adopted a bylaw that limits the maximum resale price of a unit. By limiting the resale, the cooperative limits the equity that can be received by the owner; hence it is a limited equity cooperative. The limit on resale profit is often determined by a pre-determined formula in the bylaws. The limit is to ensure the cooperative will offer long-term affordability as well as possibly retaining any public subsidy that may have been utilized in financing the creation of the co-op. If there is a surplus it would most likely be small and would go back to the cooperative. Over time, the rate of return each co-op member is able to receive may change based on indexes such as the Consumer Price Index. Since limited equity co-ops strive to maintain affordability, they are often the recipient of nonprofit and government funding (Northcountry Cooperative Foundation, 2003). Other important factors to note are the entrance cost to become a member of a LEC is higher than a group equity/leasehold cooperative and since an individual member owns each unit, the member must sell their unit before they can leave the LEC.

Group Equity/Leasehold Cooperative:

Group equity/leasehold cooperatives require the least amount of upfront investment from members. The group equity cooperative members do not own any part of the co-op but rather lease/rent from the co-op. This model is the only form where the resident does not own any part of the cooperative, but unlike typical renters members have more control over their living conditions and security of tenure. This model allows for shorter living tenure commitments (lease agreements are often a year or less). A popular example of this model is student co-ops. Affordability is a common mission for these cooperatives and achieved through operating with a nonprofit's intent and only charging rent for what is needed rather making a profit (Northcountry Cooperative Foundation, 2003).

Shared Equity:

Shared equity homeownership "emphasizes the owner-occupancy of residential property; the fair allocation of equity between one generation of lower-income homeowners and another; and the sharing of rights, responsibilities, and benefits of residential property between individual homeowners and another party representing the interests of a larger community" (Davis, 2006). Community land trusts (CLT) are the preeminent model of shared equity. CLTs are a dual ownership model where one party holds the deed to the land and one holds a deed to a residential building located on the deeded land. The owner of the land is a nonprofit, community development corporation, or more recently a municipality that has a mission to acquire land in a certain area to retain ownership as well as long-term affordability. Affordability is retained by CLTS by having a ground lease that lasts for multiple owners or as long as the CLT desires, most likely as long as it is in operation to ensure permanent affordability.

The owner is most often an individual homeowner; although in many cases the residential building may be a multi-family dwelling. Further, there are instances where the building is mixed use and incorporates commercial use. The CLT model of shared equity can easily partner with housing cooperatives when it is the land trust, the owner of the land, or a nonprofit entity that has the deed for the building but not the land. The CLT model offers an array of options for a structure of a housing cooperative, whether it is a co-op member that occupies a single-family dwelling, town home, or building with several units (Davis, 2006).

All of the above cooperative models have the ability to minimize their costs further by sharing food, utilities, labor, and other amenities. All models can also decide democratically what services should be covered. A co-op may outsource some, all, or none of the maintenance service to cater to their capacity as well as economic restraints.

To properly match the co-op models of market rate, limited equity, group equity/leasing, and shared equity with this report's mission to prescribe a model that creates and sustains affordable housing, market rate housing cooperatives must be eliminated. Market rate co-ops do not have a distinct mission of affordability nor do they incorporate systems to create and sustain affordability. For this reason there will be no case studies on market rate cooperatives. The other three models of cooperatives show great potential to be a solution for Pittsburgh's affordable housing needs due to their bylaws that mandate missions of affordability as well as their capacity to serve diverse populations and environments. The chart below breaks down the models that will be analyzed in the upcoming case studies. The chart does not specifically highlight shared equity since it can function both as group equity and limited equity. It is instead integrated into both models in the chart by highlighting the specificity of land trust ownership.

		Land Ownership		
		Co-op owns	Land Trust Owns	Private Landlord
Equity Model	Group Equity	suitable for short term membership and long term affordability	suitable for short term membership and long term affordability	suitable for short term membership
	Limited Equity	suitable for long term affordability and asset building	suitable for long term affordability and asset building	suitable if there is an agreement to buy out landlord

Table 3-1: Equity Structures of Housing Cooperatives

(Donovan, 2015)

Chapter 4: Case Studies

As described in the introduction, many factors were considered to determine which limited and group equity cooperatives to profile. The most important factor was the cooperative's ability to be replicable in Pittsburgh. When deciding on sample cooperatives I looked at the populations they served, and if they are similar to populations in need of affordable housing in Pittsburgh. I searched for cooperatives that have partnered with land banks since Pittsburgh has a new land-banking program. I looked at how cooperatives were organized and created to inspire my proposal for specific cooperative implementation in Pittsburgh. Lastly, I considered a wide range of physical forms of cooperatives since Pittsburgh offers a wide range of existing buildings as well as vacant land for new construction.

After several discussions with Pittsburgh urban planning professionals it can be confirmed there are no distinct policies in Pittsburgh that impede housing cooperatives as well as no known policies that encourage housing cooperatives to develop similar to the Tenant Opportunity to Purchase Act (TOPA) in Washington D.C.. In 2014, the Pittsburgh City Council passed legislation to establish a City-run land bank that could encourage housing cooperatives, yet little has been developed in the program as it is still in development stages (City of Pittsburgh, 2015). When considering Pittsburgh's built environment, there is a diverse building inventory of single-family homes, larger homes converted into triplexes and duplexes, large twenty-plus unit apartment buildings, and mixed use residences. The age of the building stock is less diverse with 50% of the city's housing being built before 1939 (U.S. Census Bureau, 2010), which is important to consider for rehabilitation of buildings to become co-ops. These buildings will most likely need appliance upgrades, green renovations to make the building more energy efficient, and possibly lead paint remediation. An opportunity to increase the standard of living for affordable housing is also a factor for this old housing stock. Unfortunately, much market rate affordable housing may be affordable because it has not been updated for several years.

It is imperative to understand how the characteristics of groups in need of affordable housing in Pittsburgh match the requirements of each co-op model that could be used to provide affordable housing. The City of Pittsburgh and Allegheny County both possess an above average population of those sixty-five and over compared to national statistics. There are many successful senior co-ops across the United States that both cater to seniors' co-op community desires and also concern themselves less with accumulating equity for future investments. The City of Pittsburgh also has a significantly higher population of 20-34 year olds than the national and Allegheny County averages. This demographic group is best suited to leasing cooperatives, which are best for those who have not decided on homeownership yet but are interested in affordable housing and being part of a cooperative community. A leasing cooperative that targets certain populations that may not be ready to settle down like students or younger artists would also likely do well in Pittsburgh, as it boasts over ten colleges and universities with nearly 100,000 students. As evidenced, there is great opportunity for student housing co-ops (Pittsburgh, Pennsylvania Colleges and Universities (Four Year)).

See table 4-1 below for further analysis of age breakdowns:

% of Population by Age:	City of Pittsburgh	Allegheny County	United States
0-19:	22%	22%	27%
20-34:	31%	21%	21%
35-54:	22%	26%	27%
55-64:	11%	14%	12%
65+	14%	17%	13%

Table 4-1: Percent of Population by Age in the City of Pittsburgh, Allegheny County, and United States

As addressed in chapter one, there is a large population of veterans in the Pittsburgh area that are in need of affordable housing. There is an estimated 96,000 veterans living in Allegheny County, nearly 10% of Pittsburgh's adult population (Brian Bell, 2010). Veterans often have special housing needs based upon higher rates of disabilities; twenty-six percent of veterans have some sort of disability while 14% have physical disabilities. The chronically homeless are also disproportionately veterans. In 2008, 29% of the homeless population in Allegheny County identified as veterans (Brian Bell, 2010). These statistics show there is a specific need for veteran affordable housing.

The City of Pittsburgh also has an opportunity with their above average rate of vacancy of land and buildings to convert vacant structures into housing cooperatives or build new buildings through infill development of vacant lots. Fifteen percent of Pittsburgh's residential parcels are vacant and of 26,140 vacant parcels in the city, 57% are vacant land and 13% are vacant residential structures. These 26,140 parcels are eligible for the new City of Pittsburgh land bank (Daniels, 2014).

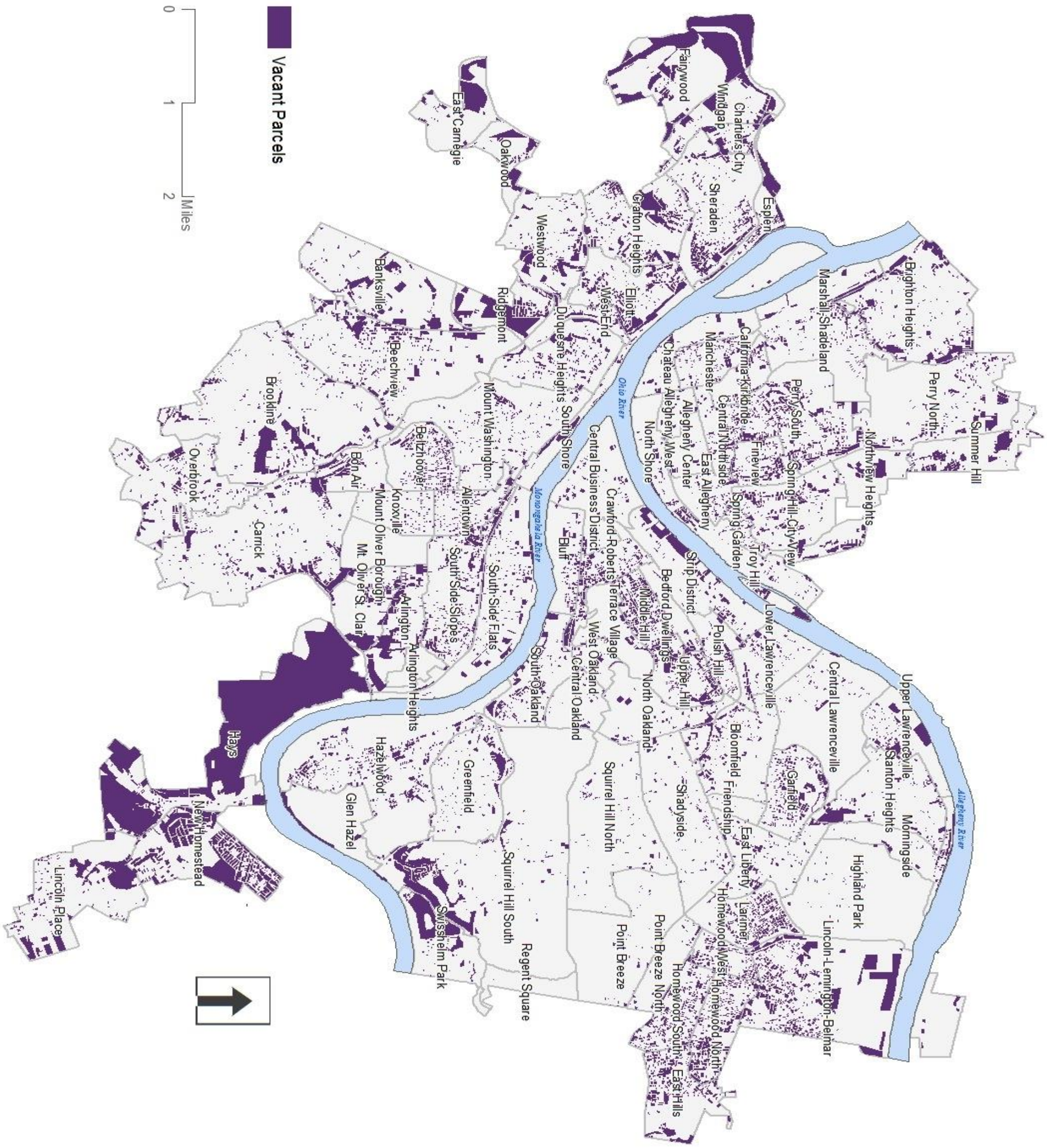

Figure 4-1: All Vacant Parcels in Pittsburgh

Based on the myriad of needs and opportunities Pittsburgh possesses, the case studies profiled are all structured as limited and group equity ownership to ensure affordability and vary between tenant owner models and tenant leasing models. Case studies feature housing cooperatives that serve specific populations like students, senior citizens, veterans, and artists. The case studies incorporate cooperatives of varying building types from single family homes occupied by one household, large homes occupied by several individuals with shared common space, large multi-unit buildings with private kitchens and common areas, and co-housing communities with single family homes but shared land and amenities. Some of the cooperatives featured have been developed through rehabilitation of old buildings while others were new construction. One co-op featured is partnered with a community land trust. The case studies vary greatly by location, from Vermont to California, Massachusetts, Pennsylvania, and Texas. The most diversity is represented in those that occupy the limited equity housing cooperatives as the case studies reveal those served by co-ops are monumentally varied.

	Limited Equity	Tenant Owned	Group Equity	Specific Population	Shared Community Space	Separate Units	Shared Meals	Donate Labor
Dos Pinos	▯	▯			▯	▯	unknown	unknown
NASCO	▯		▯		▯	Both separate and shared	▯	▯
Sasona	▯		▯		▯		▯	▯
La Reunion	▯		▯		▯	▯	▯	▯
Sacramento Mutual Housing	▯		▯			▯	unknown	unknown
Friends'	▯		▯		unknown	▯	unknown	unknown
Soldier On	▯	▯		▯	▯	▯	unknown	unknown
ICC Austin	▯		▯	▯	▯		▯	▯
Pullman	▯	▯		▯	▯	▯	unknown	unknown
Green St.	▯	▯		▯	▯	▯	unknown	unknown
Champlain Housing Trust	▯	Both owned & leased	Both owned & leased			▯	unknown	unknown

Table 4-2: Characteristics of Housing Cooperative Case Studies

Case Study One: Tenant Owned Co-Op: General Population:

Dos Pinos:

Dos Pinos is a co-housing, intentional community in Davis, CA. The limited equity co-op was created in 1985 because a private landowner owned a swath of land and wanted to develop it with market rate housing (single-family and multi-family) and commercial development. The city required the developers to include low- and moderate-income housing to be approved for the development. The developers decided to fulfill the requirement by creating a limited equity cooperative. The co-op was designed by the two owners rather than a community desiring to be part of the co-op, and for this reason, the built environment of the co-op was lacking key elements of an intentional community, like front doors facing inward to other neighbors' doors or the fact that the one small community space is not centrally located or equipped for large gatherings.

The developers hired an outside firm familiar with cooperative living to create the by-laws as well as recruit tenants that would sign on to a rent-to-own track. Once 80% of the shares were sold, as stipulated in California law, Dos Pinos officially became a limited equity tenant owned co-op with no role or responsibility for the developers. The developers continued to own 12 units (20%) as rentals and paid their rent as dues to the co-op. Currently, all shares (including land) are owned by the co-op and it is exclusively member owned and occupied.

By California law the co-op is organized and incorporated as a nonprofit public benefit corporation. Most decisions of Dos Pinos must be made by the elected Board of Directors with the exception of a few important decisions left to a vote of the whole membership, such as bylaws changes. Dos Pinos claims to be the "longest operating, most successful limited equity housing cooperative without government subsidy in California (Dos Pinos Cooperative)."

Case Study Two: Leasing Based Co-Ops: General Population:

NASCO Properties:

As discussed earlier, leasing co-ops are very popular for student co-ops as they require very little commitment in terms of upfront investment as well as time commitments. In Austin, Texas, there are both leasing co-ops for students exclusively as well as the general population. Many of the leasing co-ops have a direct connection with the North American Students of Cooperation (NASCO) Properties and NASCO Development. NASCO Development began in the mid 1960s as an educational conference for North American student co-ops to gather and share resources. NASCO Properties began in the late 1980s in Austin, Texas, during the savings and loans crisis when one student co-op in Austin faced foreclosure because of financial distress. The idea of NASCO Properties was born to save the struggling co-op. Several co-ops worked together to donate money to buy out the co-op. This purchase created NASCO Properties.

With the acquisition of this property, NASCO Properties was able to borrow against the property to buy more properties and lease to more co-ops. As of 2015, NASCO Properties leases to eight co-op housing organizations that have several housing co-ops within the organizations, such as Community Housing Expansion of Austin

(CHEA) in Austin. CHEA incorporates Sasona and La Reunion, both co-ops with limited equity, leasing based models, and open to the general population (NASCO Properties).

Sasona:

Sasona originated in 2002 as a group of alumni of the Inter-cooperative Council of student housing in Austin, Texas. Founders spent years living in student co-ops and wanted to continue to live in co-ops, but discovered no options for co-op living in Austin once they graduated. Sasona formed independently and was funded independently to put a down payment down on a building that had been built as a halfway house. The architecture was a difficult sell for most of the market but matched Sasona's cooperative mission of mutual housing.

Two years later they joined NASCO Properties to ensure more financial and community support. NASCO Properties bought the property from Sasona and leased it back to them. Sasona continues to operate the property. Sasona has sixteen residents with three living rooms, sixteen bedrooms, four bathrooms, and a large backyard for members to share. Each member has a private room but share bathrooms and a kitchen. Members' monthly payment includes all utilities including internet, free laundry, prepared daily meals, and a stocked kitchen (Sasona Co-operative).

Figure 4-2: Industrial size kitchen of Sasona: (Sasona Co-operative)

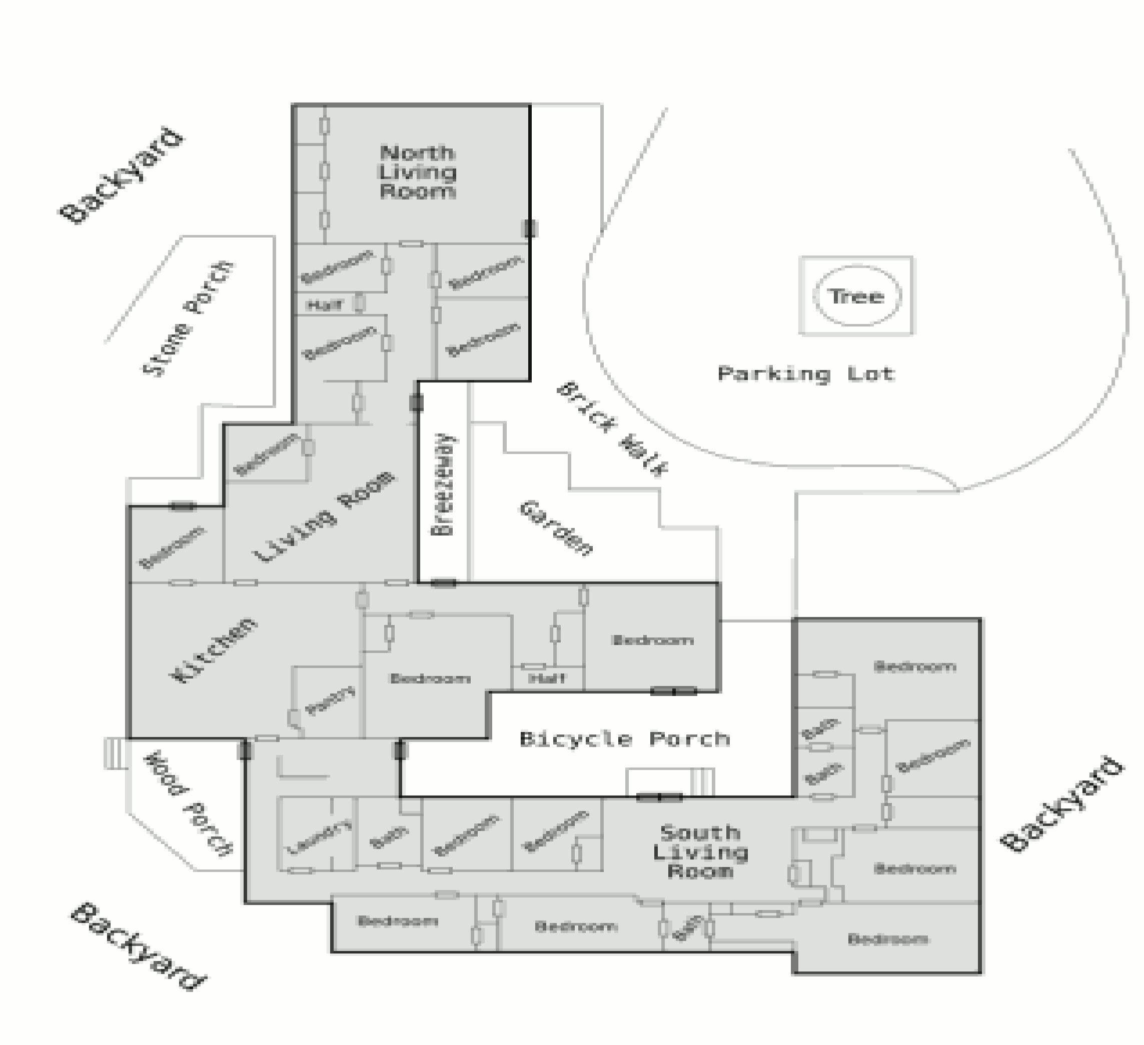

Figure 4-3: Floor Plan of Sasona: courtesy of (Sasona Co-operative)

The co-op is run through consensus building. Each member votes on policies, bylaw adjustments, and rent rates. Members are required to perform five hours of labor each week from cooking a meal to landscaping; this requirement contributes to lowering the living cost of the co-op.

La Reunion:

La Reunion began in 2012 as the second CHEA property after CHEA bought a mid-1970s multi-family apartment complex. The complex is made up of 22 two-bedroom units, with one unit as the shared community space where meetings and communal meals are prepared and eaten. Unlike Sasona, there is less demand for communal space since one to two people will share each kitchen in each unit. Also unlike Sasona, La Reunion qualifies as a Section 8 landlord since Section 8 requires recipients to have private units rather than a private room and shared amenities. The acceptance of Section 8 allows for La Reunion to ensure deep affordability is reached.

As of March 2015 the cost of a two-bedroom unit at La Reunion is $800 (this price includes food and utilities). This rate is far below the fair market rent estimate from HUD in 2013 for the Austin-Round Rock-San Marcos MSA of $1,050 (HUD, 2013). La Reunion has encountered difficulties in serving Section 8 recipients because once granted Section 8, the recipient has a maximum of 90 days to find housing and La Reunion's waitlist is often far longer.

Figure 4-4: Courtyard of La Reunion

Photo credit: Katie McAuley

Sacramento Mutual Housing:

Sacramento Mutual Housing (SMH), more than the previously discussed co-op models, distinctly operate with a mission of creating affordable housing and revitalizing underserved neighborhoods. Sacramento Mutual Housing was incorporated in 1988 with the mission to create a "locally controlled nonprofit that would be a force for revitalizing low-income communities by strengthening neighborhood assets–both the housing and the neighborhood residents. By acquiring deteriorating multifamily structures, they envisioned that Mutual Housing could leverage private and public capital to renovate properties and turn them around into safe, affordable and well functioning residential communities (Mutual Housing California, 2012)."

SMH ensures that the cooperatives remain affordable by requiring that residents be below 50% and 60% of the area's median income. GreenPoint is a specific cooperative of SMH that caters to recruiting the homeless as residents. The GreenPoint facility was built to serve both low-income families as well as those recently homeless, with two-story townhomes, each with three bedrooms, three baths, and a two-car garage in the back with a walk-up studio located above the townhome garages (Mutual Housing California, 2012).

SMH builds social capital by engaging residents to organize their community by running cooperatives and learning to manage homes both financially and physically.

SMH incorporated the education element into the co-op in 1997 when federal welfare legislation was greatly cut to limit recipients' time on welfare. The program is built to educate residents on tactics to be more financially independent and marketable for higher paying jobs. As of 2015, SMH has 1,009 homes (units) in eighteen multi-family communities. The development of these eighteen communities varies greatly from new construction built on vacant in-fill lots to acquiring and rehabbing bank or HUD-owned properties.

Friends' Housing:

Friends' Housing in Philadelphia, Pennsylvania is very similar to the previously discussed leasing based co-ops aside from its built environment. Friends' was founded in 1952 by Quakers to create affordable housing in a "self-help" fashion. The self-help happened immediately after Friends' acquired an entire city block of housing making up eighty-three units. Those looking to be a part of the cooperative were required to help renovate the buildings rather than making a 10% down payment (Schaefer, 2013). Friends' is still highly successful today and proof that housing cooperatives can be unconventional in their built environment and function as a close knit cooperative (Friends' Housing Cooperative).

Case Study Three: Specific Populations: Both Leasing and Tenant Owned:

Veterans: Tenant Owned:

Since WWI, over forty housing cooperatives have been created for veterans. The largest veteran co-op to date is Deepdale Gardens in New York State with 1,394 apartments. In all, veteran co-ops have created over 13,000 housing units in over fifteen states in the United States. The Iraq War has brought a new surge of veteran housing needs as well as an increase in new veteran housing cooperatives. Soldier On in the Gordon Mansfield Veterans Community in Pittsfield, Massachusetts, opened in 2011. The co-op provides thirty-nine studio and one-bedroom apartments clustered in a "village style community" (Thompson, 2011). The village style design offers an increased sense of community and social capital between residents that share similar experiences and possible trauma. Each member of Soldier On co-ops owns a share, which is their unit, rather than lease. The co-op is purposely located in close proximity to a Veterans Community Care Center to offer even more amenities to the members.

Soldier On required $6.9 million dollars of financing. The funding came from multiple sources: government agencies, the Federal Home Loan Bank, private banks, foundations, and nonprofits. The co-op project was made affordable for the veterans by the Veterans Affairs Supportive Housing program (VASH) that partially funded the

$2,500 down payment for each veteran to buy their share in the co-op. Other funders included the members themselves, grants, and donations (Thompson, 2011).

Students: Leasing:

Inter-cooperative Council (ICC) of Austin, Texas, owns nine student leased and operated housing cooperatives. In order to be a member of the cooperative one must be a student, though particular university affiliation is irrelevant. Each co-op consists of fifteen to thirty-one student members. Some differences lie in dietary restrictions--two are strictly vegetarian and vegan. Some only accept upper-classmen or graduate students.

The ICC co-ops do not have income maximums for their members but do stress a mission of affordability that is achieved through their group equity status, as well as by taking on chores such as five hours of labor per week, communal meals, and shared amenities. Because of these stipulations, the cost is much lower than more traditional student housing, in some instances more than 50% less than other student housing options in West Campus. More details can be seen in the table below:

Housing Options for Students in West Campus, Austin, Texas:

	Cost for Resident+ (10 months)	Utilities & Internet* (monthly)	Food* (monthly)	Total Cost for Resident (10 months)
ICC Co-op	$6,347	Included in rent	Included in rent	$6,347
West Campus Apartment	$9,450	$207.93	$242.00	$13,949.3
UT Residence Hall	$10,715	Included in rent	Included in rent	$10,715
The Castillian (private student housing)	$11,960	$207.93	Included in rent	$14,039.3

Table 4-3: Comparative of Student Housing Costs in Austin, Texas

(ICC Austin, 2013) (MIT, 2014) (NUMBEO, 2015)

+ Cost is based on the 2013-2014 academic year

* Food cost based upon Travis County for 2014, Utilities and Internet cost based upon Austin, TX for 2015

Artist: Tenant Owned:

Green Street Artists Corporation (GSAC) of Philadelphia, Pennsylvania, was incorporated in 1991 to purchase a 22,000 square foot factory building built in 1919. The building was retrofitted to have seventeen live/work studio units and a certificate of occupancy was granted in 1992. Beyond the original founding members, GSAC was supported by Philadelphia Historic Preservation Corporation with major funding from the Pew Charitable Trusts and other funders to be a model program for historic preservation as well as adaptive re-use (Green Street Artists).

In addition to providing co-op members and their children a stable and affordable place to live and work, GSAC hosts open studio tours while some members teach public classes and workshops in the co-op studio spaces. When a member decides to sell their unit, it is their responsibility to find a buyer. The co-op membership then reviews the application to decide if the applicant qualifies to be a GSAC member.

Senior: Tenant Owned:

Pullman Place of Elk River, Minnesota opened in 2005 and is exclusively for those that are 55 and older. Each senior occupies their own unit and has their own kitchen and bathroom as well as access to several shared communal spaces. Pullman Place is carefully designed to fit seniors' needs for security as well as independence. There is a caregiver service provided on-site as well as close proximity to public transit that allows residents to easily access downtown Minneapolis. Not only does Pullman Place create community within its own walls, it is also located near community amenities like churches, medical clinics, and restaurants to allow residents to be part of a greater community outside the co-op. Unlike many other co-ops, Pullman requires no labor from residents but instead requires maintenance to be taken care of by staff. Similar to other co-ops, Pullman encourages members to participate in self-governing to build social capital. Since the co-op is limited equity, little is demanded for a down payment and HUD is the mortgage provider (Pullman Place).

Case Study Four: Community Land Trust and Limited Equity Co-ops:

The Champlain Housing Trust:

The Champlain Housing Trust (CHT) in Burlington, Vermont functions as both a shared equity community land trust and limited equity housing cooperative that has leasing co-ops and tenant owned co-ops. CHT requires that future homeowners fit income requirements to ensure those in need of affordable housing are served. CHT always owns the land under the home to ensure permanent affordability. The homebuyer agrees to a lower mortgage amount under the condition that they will live in the house for at least six months as well as one day a year. If they decide to sell, they must sell it back to the CHT who will pay the homeowner back what they have paid and 25% of the home’s market appreciation. The Champlain Housing Trust also runs five limited equity housing cooperatives that are part of the land trust. There are two tenant-owned cooperatives and three tenant leasing co-ops, one of which is an artist’s co-op (Champlain Housing Trust).

Chapter 5: Proposal for Pittsburgh Cooperatives

Now that the limited equity housing cooperatives models that Pittsburgh might emulate have been established, a plan to establish the co-ops must be proposed. I propose to take advantage of Pittsburgh's vacancy "problem" and transform it into an opportunity to provide zero to low cost land and or structures to entities trying to form a limited or group equity housing cooperative.

Pittsburgh, Pennsylvania, has lost 50% of its population from 1950 to 2010 (see below table). Therefore, the city has a high rate of vacant land and properties. As of 2012 Pittsburgh has a 12.8% housing vacancy rate, with several neighborhoods nearing 30% home vacancy. As of 2013 Pittsburgh has 26,140 eligible properties for the city's newly passed land-banking process. Pittsburgh's Urban Redevelopment Authority already owns roughly half of the vacant parcels, and about 13,000 more parcels are privately owned and tax delinquent for at least two years, many of them also vacant (Daniels, 2014).

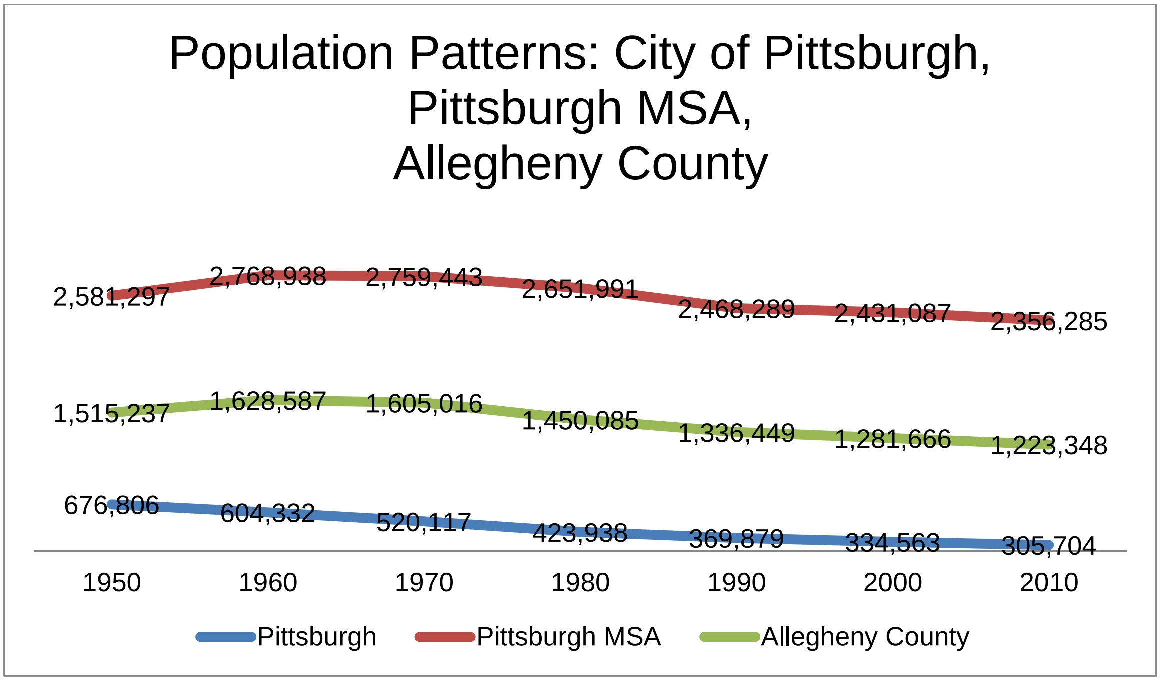

Table 5-1: Population Patterns: City of Pittsburgh, Pittsburgh MSA, Allegheny County

(U.S. Census Bureau, 1950-2010)

These vacancies and tax delinquent properties pose an array of problems. Pittsburgh and the URA each spend $400,000 a year to maintain vacant properties and estimate that managing all blighted land in the city would cost $20.4 million a year. Pittsburgh advocated for land banking based off successful practices in cities such as Flint, Michigan, whose Genesee County Land Bank generated $68,000 in property tax revenue in 2006 from land bank sales. Spending $3.5 million to demolish vacant properties yielded a $112 million increase of surrounding property values in 2005, according to the Land Policy Institute (Daniels, 2014).

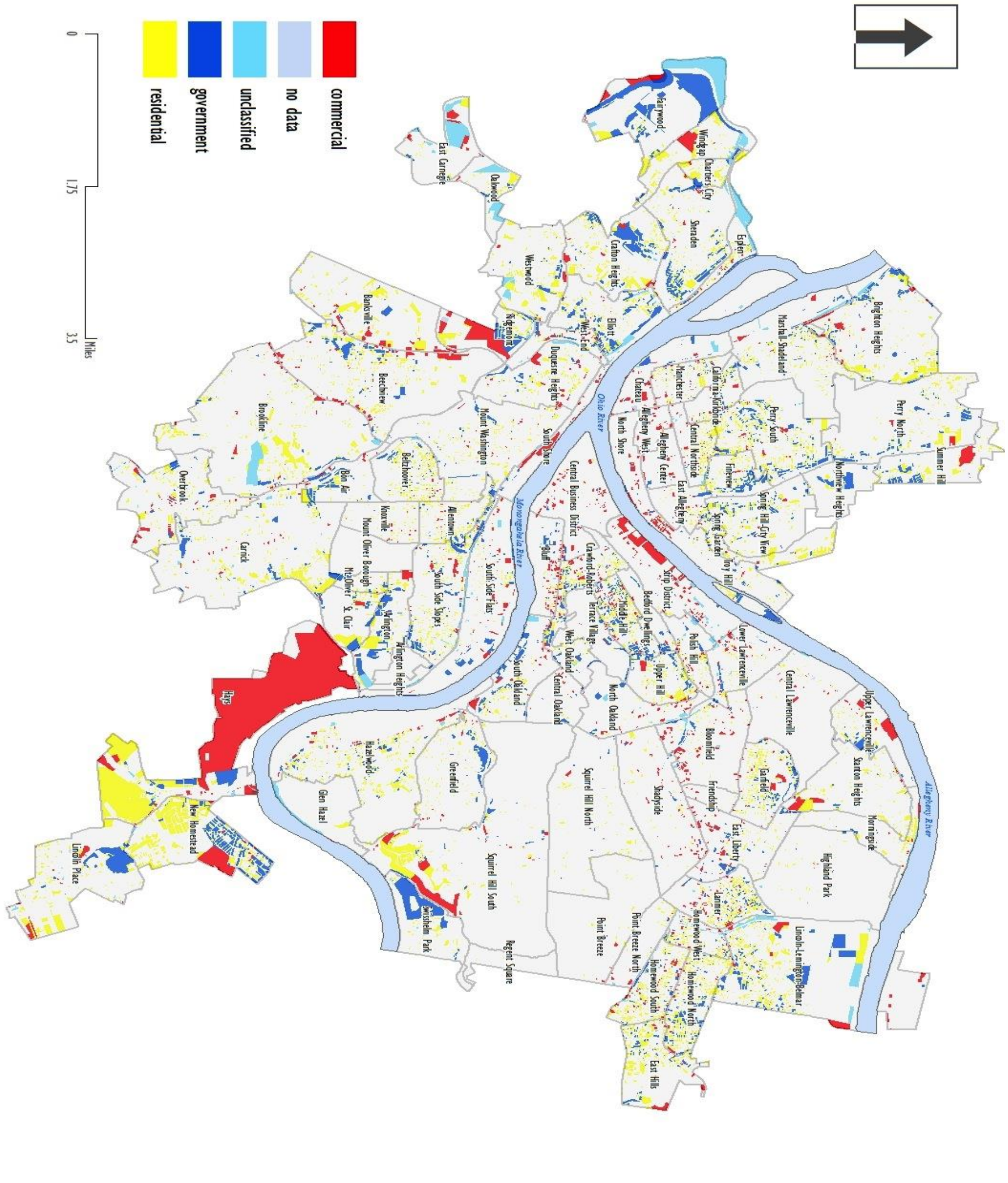

Figure 5-1: Zoning Classifications of Vacant Parcels in Pittsburgh, PA

I specifically focused on vacancy that is residentially zoned, as these are the parcels easiest to transform into limited equity housing cooperatives and require no need to change zoning. Once residential vacancies were isolated from the rest of vacancies, I highlighted whether the parcel was vacant land or a vacant building.

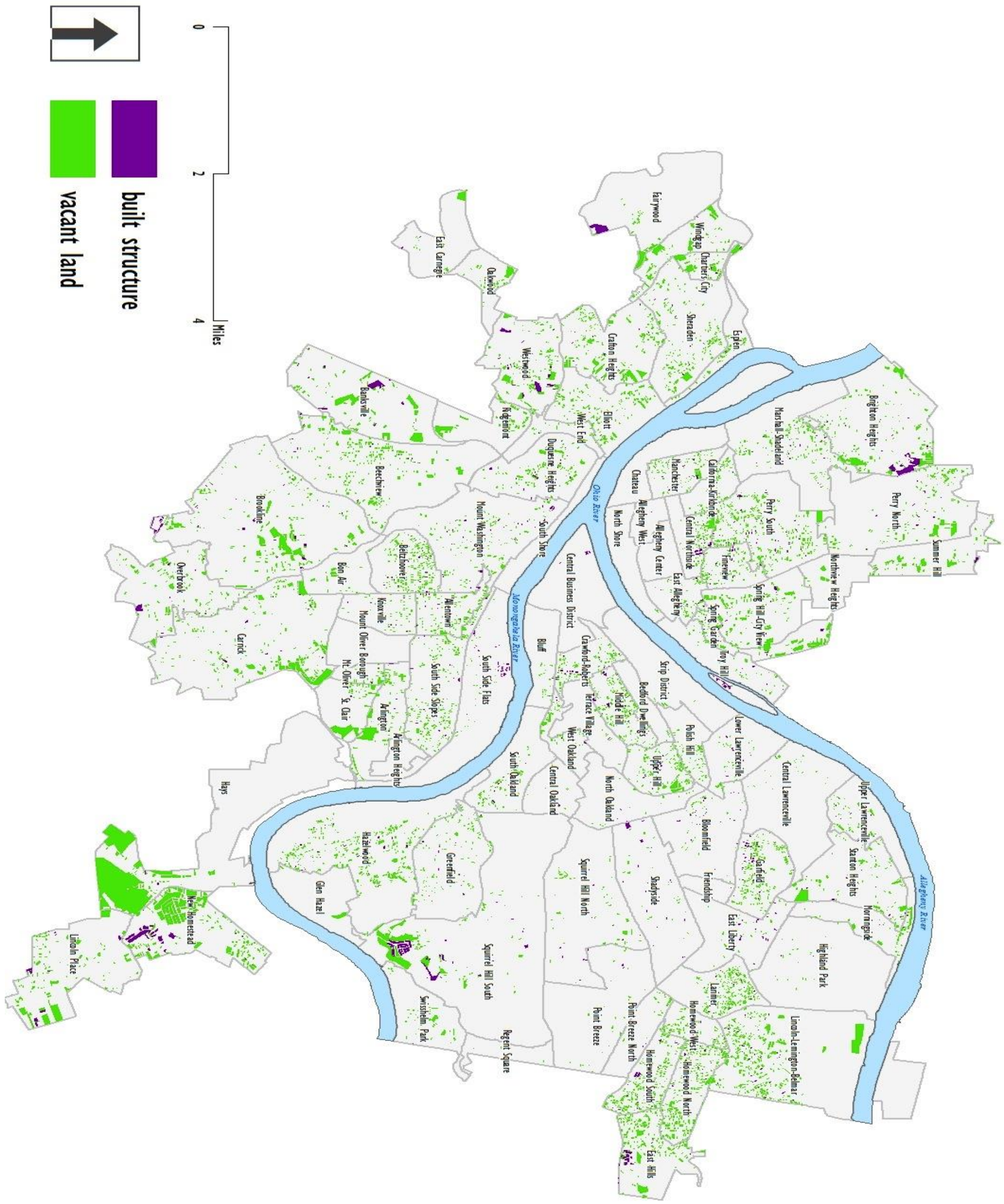

Figure 5-2: Vacant Lot vs. Vacant Building: Pittsburgh, PA

Affordable housing cannot simply be located where any vacancy exists; quality of life must be analyzed as well as the ability for affordable housing to increase opportunity rather than restrict the new residents' opportunities by isolating and concentrating low income residents in less desirable low opportunity areas. Finding several high opportunity areas that also have vacancy is not easy as high rates of vacancy are often correlated with high crime, low property values, and a general lack of opportunity (Kirwan Institute). Because of the negative externalities often attributed to vacancy, special attention must be spent to locate limited equity housing cooperatives on vacant parcels or vacant buildings that are also located in high opportunity areas.

The Kirwan Institute at the University of Ohio maps opportunity by mapping factors of education quality, economic opportunity, rates of poverty, proximity to positive or negative environmental attributes, mobility access, health access, and food access. Considering these factors for the implementation of limited equity housing cooperatives on current vacancies in high opportunity areas will increase the opportunity of the co-op members as their cost burden for housing decreases, enabling more savings as well as building social capital through the co-op community. The neighborhood and block group that houses the current vacant parcels will benefit from economic diversity, increased tax base for local schools, as well as the decrease in negative attributes of vacancies. As a whole, the city benefits from an increase in occupancy from an increased tax base as well as individuals, nonprofits, or government agencies taking over the maintenance costs of vacancies.

To evaluate opportunity in the city of Pittsburgh I propose to consider three variables to identify as predictors for level of quality of life and access to opportunity: proximity to parks (.5 mile), proximity to a public bus stop (.25 mile), and proximity to the highest performing public schools in the city limits (.5 mile). I chose these three variables because I believe they represent the mission to increase opportunity most immediately and are widely applicable. Further, I chose to focus on public amenities that are not exclusionary.

Metrics to Establish Qualified Vacant Residential Lots or Structures that are located in Census Block Groups that are High Opportunity Areas and Demonstrate a High Need for Affordable Rental Housing
1. Zoned as residential
2. Clarify if it is a vacant lot or vacant structure
3. .5 mile proximity to public parks that are also closely located to public amenities such as pools and libraries
4. .25 mile proximity to a public bus stop
5. .5 mile proximity to highest performing public schools
6. Highest percentage tier of renters paying over 30% of their income on housing

Public parks are often cited as increasing public health, anywhere from air quality to opportunity for physical exercise. I also mapped libraries, recreational centers, senior centers, and public pools; these amenities were almost exclusively located within .25 miles of the public park. The only amenities that were outside the .25 mile radius were two libraries. Due to the clustering I concluded running analysis on parks would be appropriate.

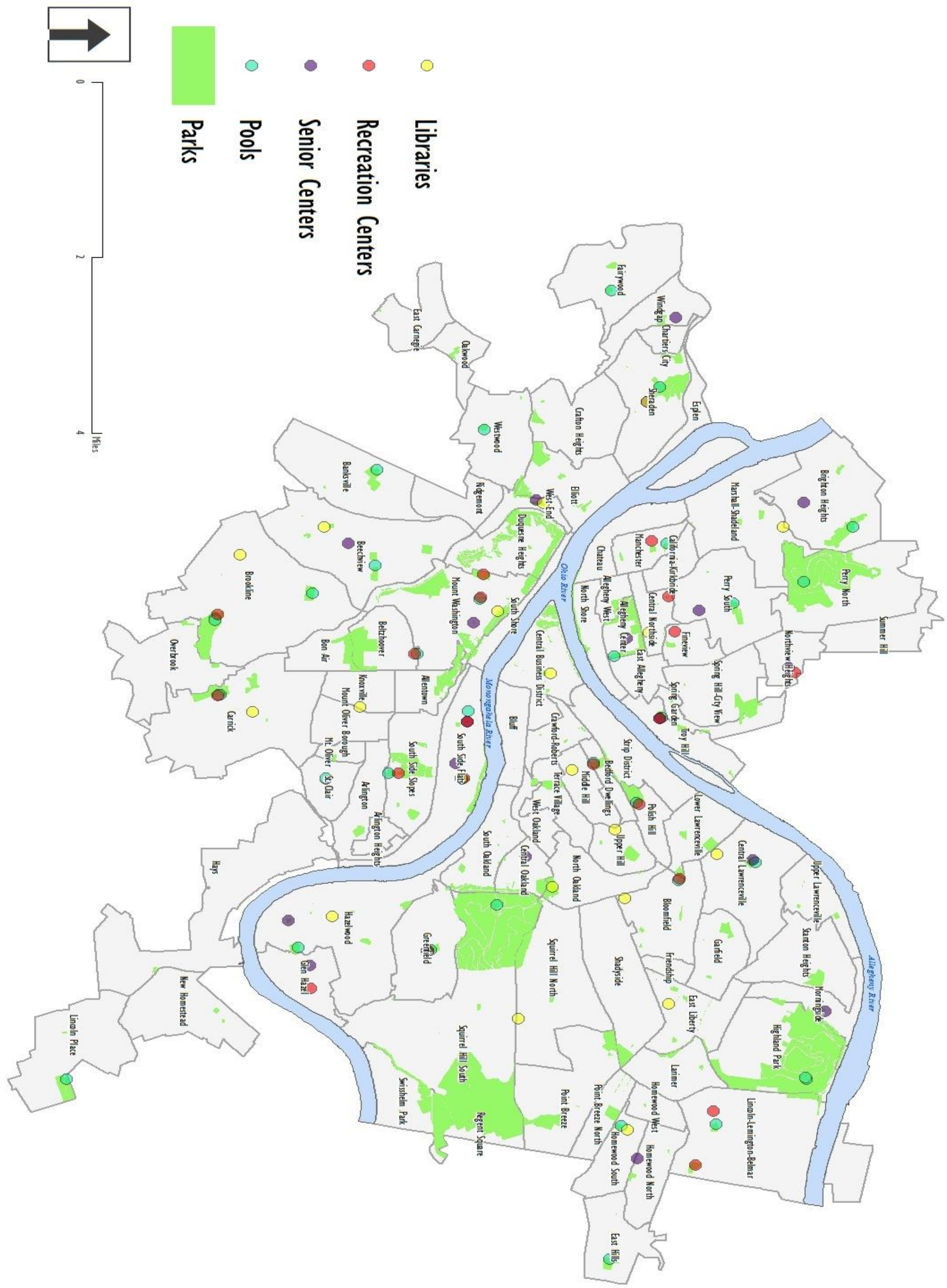

Figure 5-3: Public Amenities of Pittsburgh, PA

The second indicator I predicted as a reliable indicator of opportunity is education quality. Although unable to find one grade for public schools, I found the percentage of proficiency for students taking the state standardized test in reading and math and used the 3rd, 7th, and 11th grade scores to rate the schools' quality. The highest opportunity schools are the schools that were in the highest tier of proficiency for both subjects.

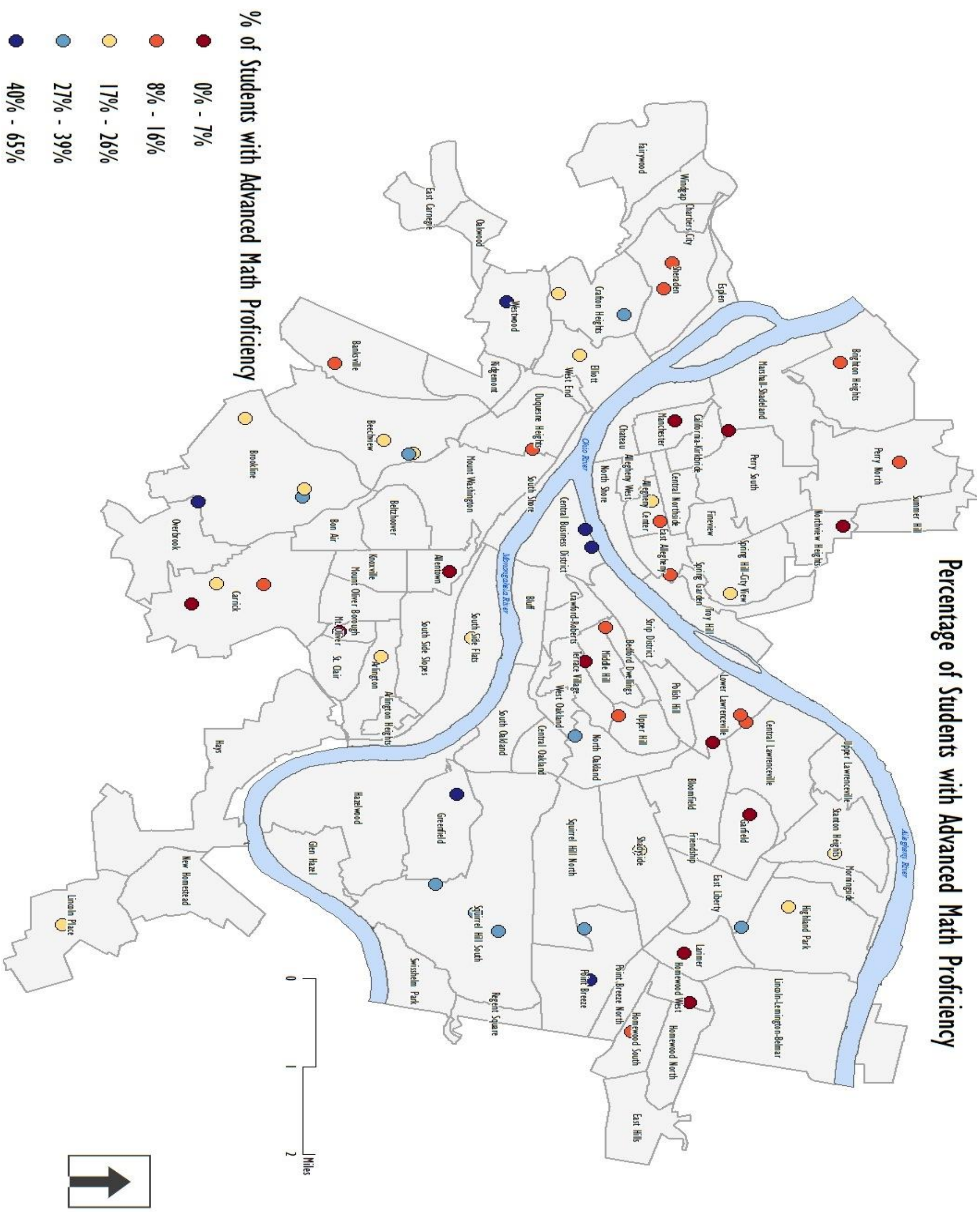

Figure 5-4: Percentage of Students with Advance Math Proficiency in Pittsburgh Public Schools

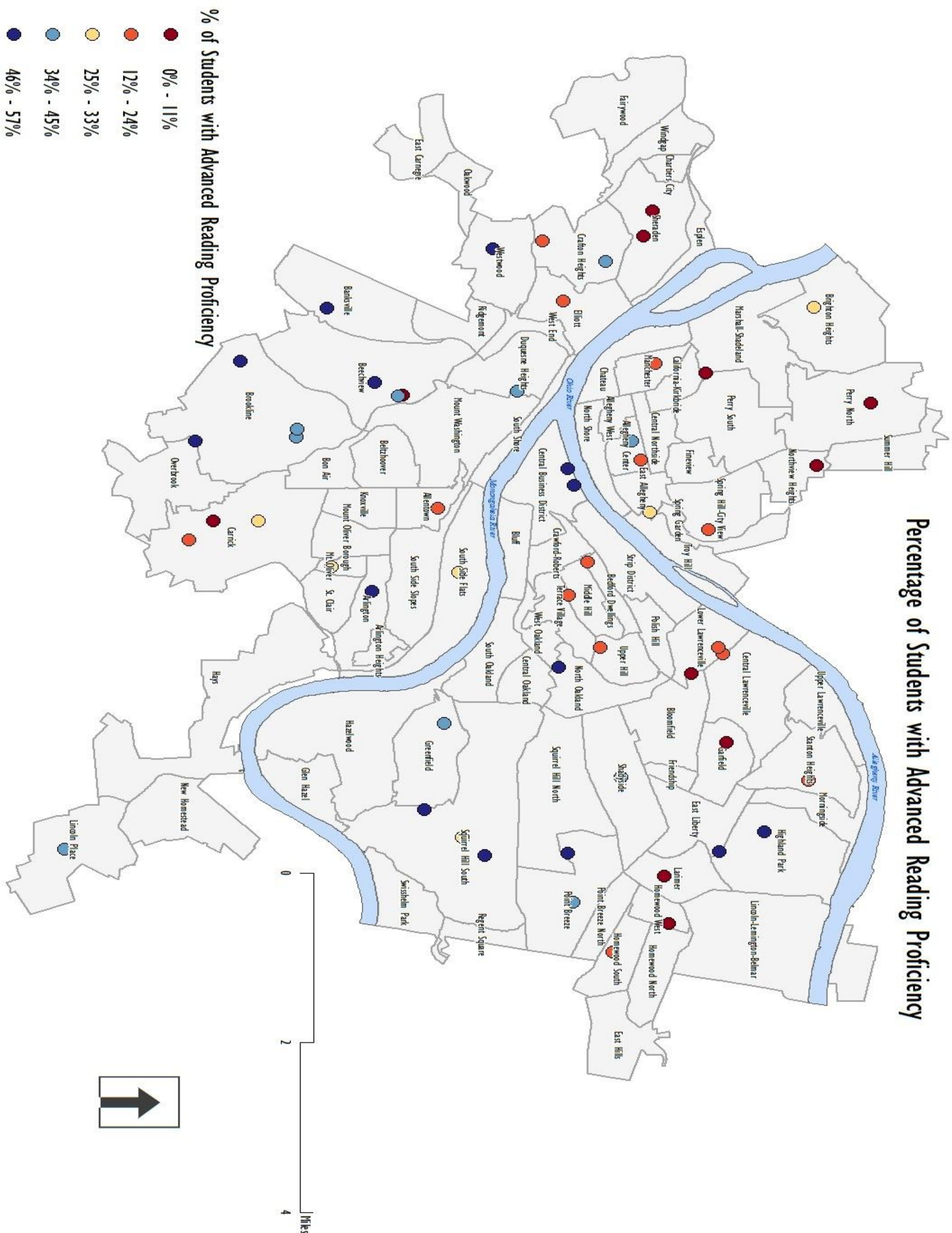

Figure 5-5: Percentage of Students with Advance Reading Proficiency in Pittsburgh Public Schools

Lastly, I chose access to public transit as the final indicator of opportunity. Access to affordable transit not only lowers one's living costs but also increases a resident's economic opportunity through increased mobility opportunities. This analysis only measures proximity to bus stops and not the frequency of buses to the bus stop.

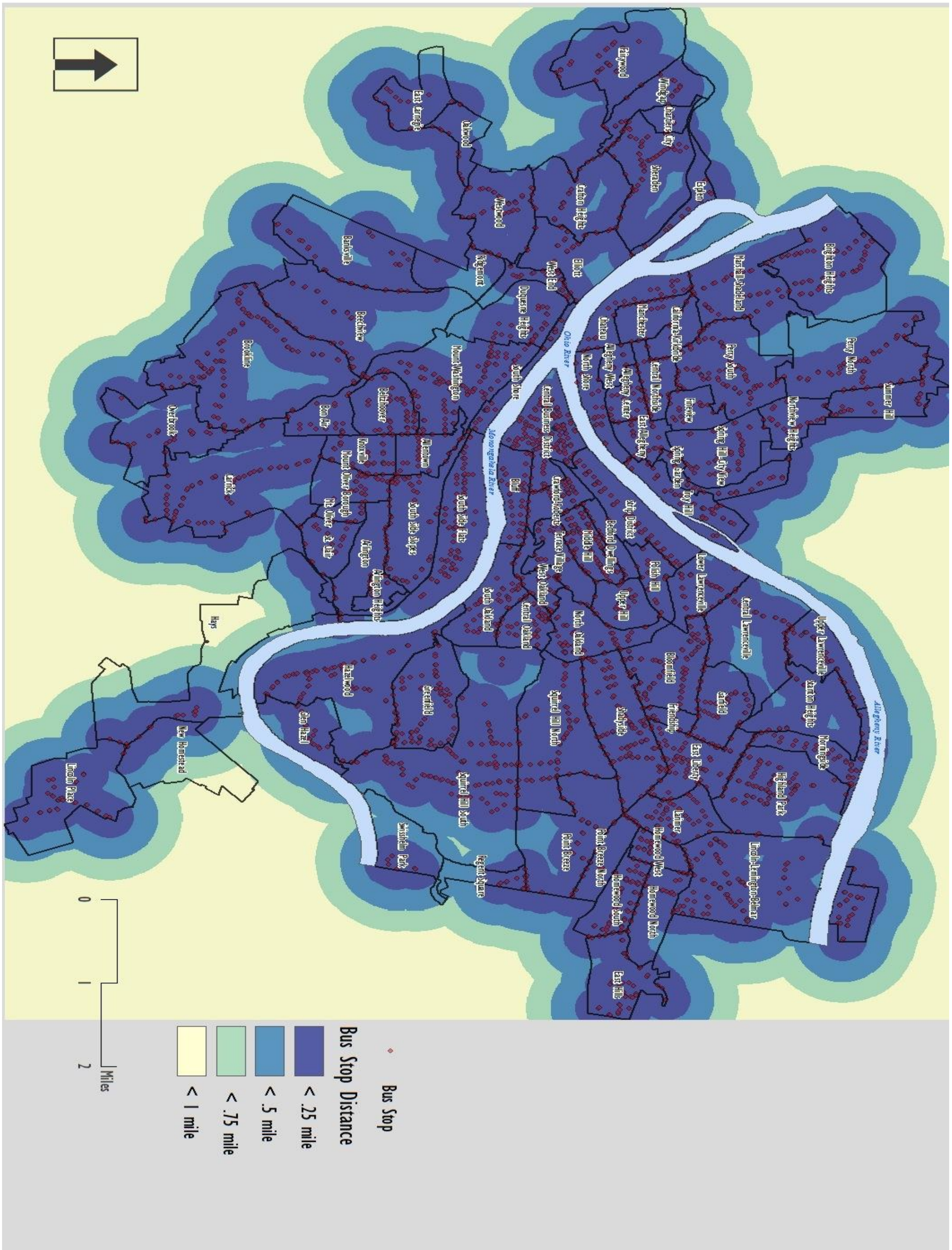

Figure 5-6: Distance in Miles to Public Bus Stops: Pittsburgh, PA

Another important factor for the location of a limited equity housing cooperative is the need for affordable housing. In order to establish this need I mapped the percentage of a census block that is paying over 30% of their wage on housing. I also mapped the median incomes of the block groups to further contextualize need for affordable housing. When comparing figure 5-7 and figure 5-8 the block groups that have the highest tiers of renters paying over 30% of their income on housing are predominately living in block groups that the median household income is at $38,000 or higher, with the exception of Hazelwood, where the median household income is below $25,000. The one qualifying block group of Hazelwood qualifies not because of the statistical norms of Hazelwood, instead because the qualified vacant parcels are bordering and anchored by the high opportunity area of Oakland.

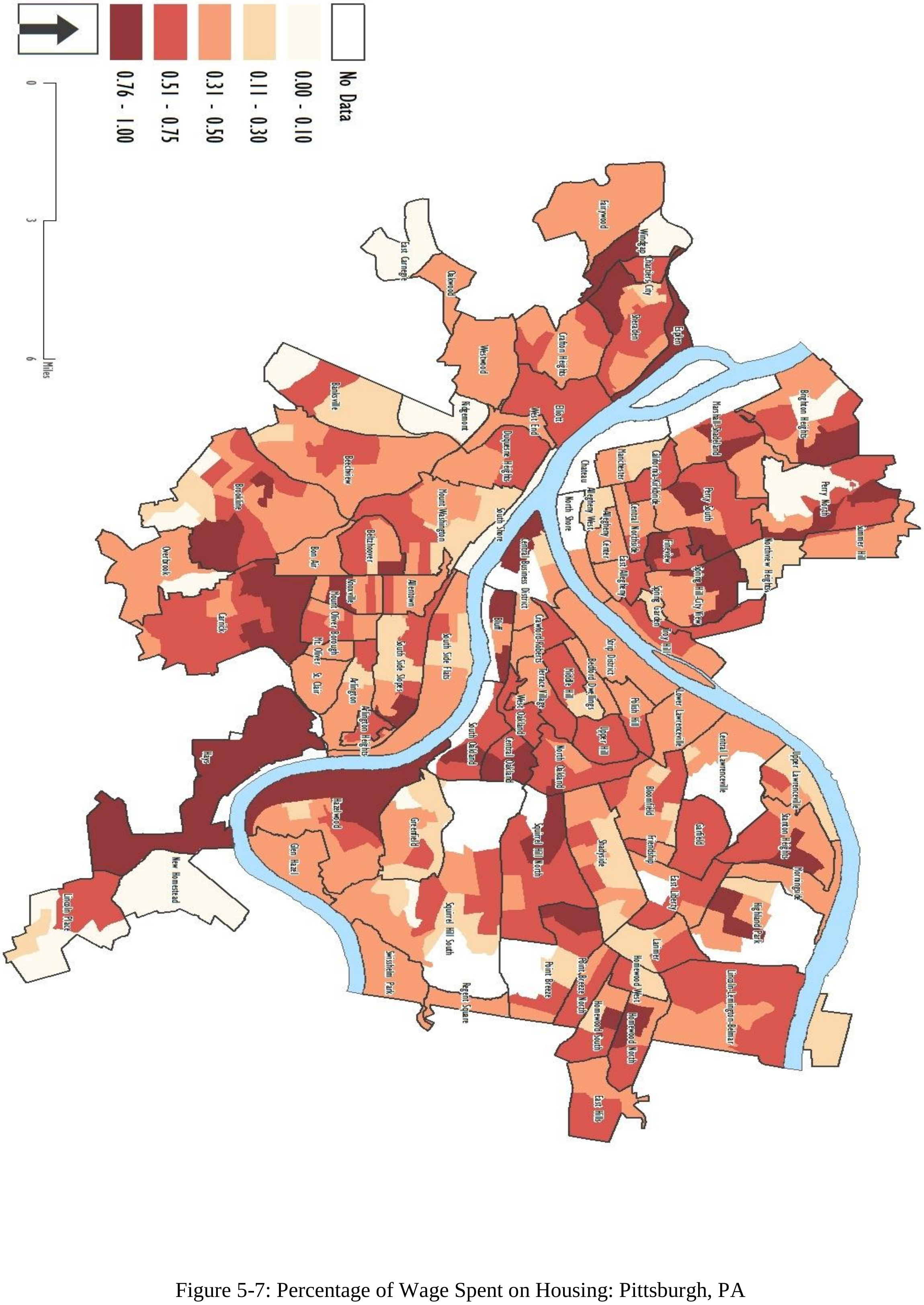

Figure 5-7: Percentage of Wage Spent on Housing: Pittsburgh, PA

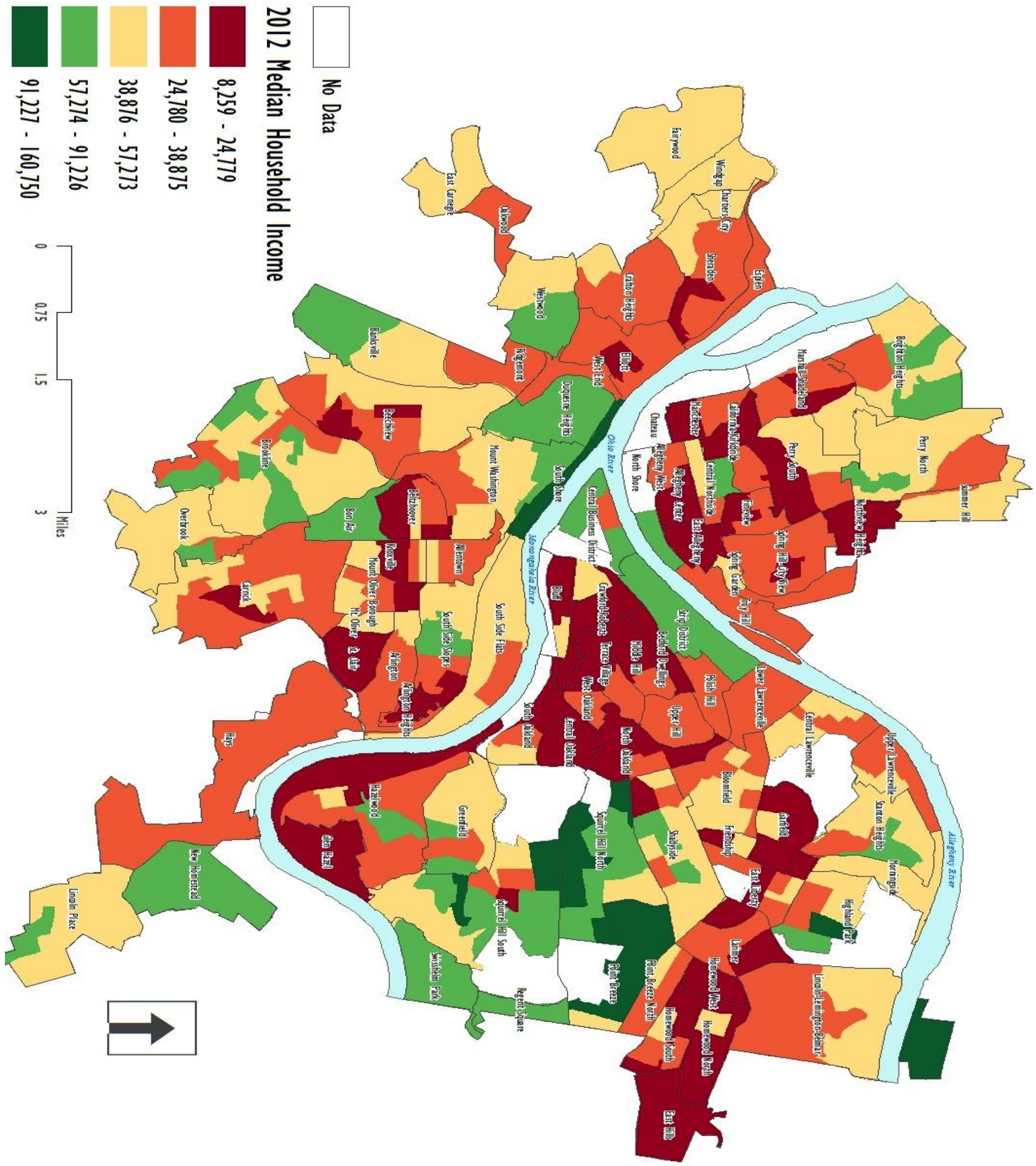

Figure 5-8: Median Income by Block Group: Pittsburgh, PA

I overlaid the residential vacancy maps with the spatial description of the rate of renters paying over 30% of their income on rent and then overlaid the public amenities layers (public bus stops, parks, high quality public schools). Once these indicators were mapped I created new shapefiles through buffering the public amenities at rates of .25 miles for bus stops and .5 miles for parks and schools. I then selected the vacant parcels that were within the buffer and created a shapefile to identify the vacant parcels that qualify as high opportunity.

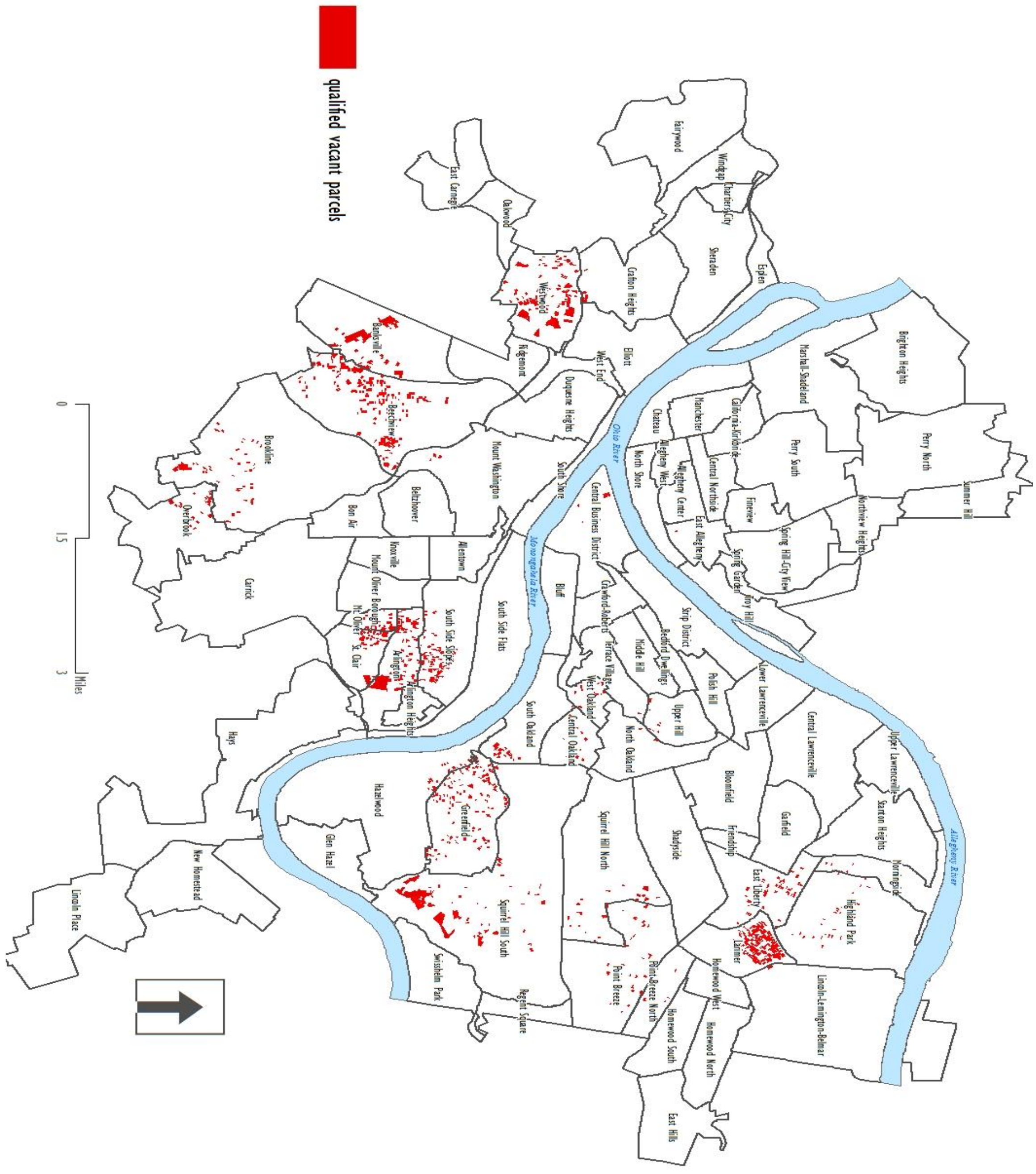

Figure 5-9: High Opportunity Vacant Parcels in Pittsburgh, PA

Once the qualified vacant parcels were determined, I overlaid the qualified parcels on the map showing the percentage of the block group's renters who pay over 30% of their income on housing and highlighted block groups with a yellow circle that have both qualifying vacant lots and are within block groups with the highest need for affordable rental housing.

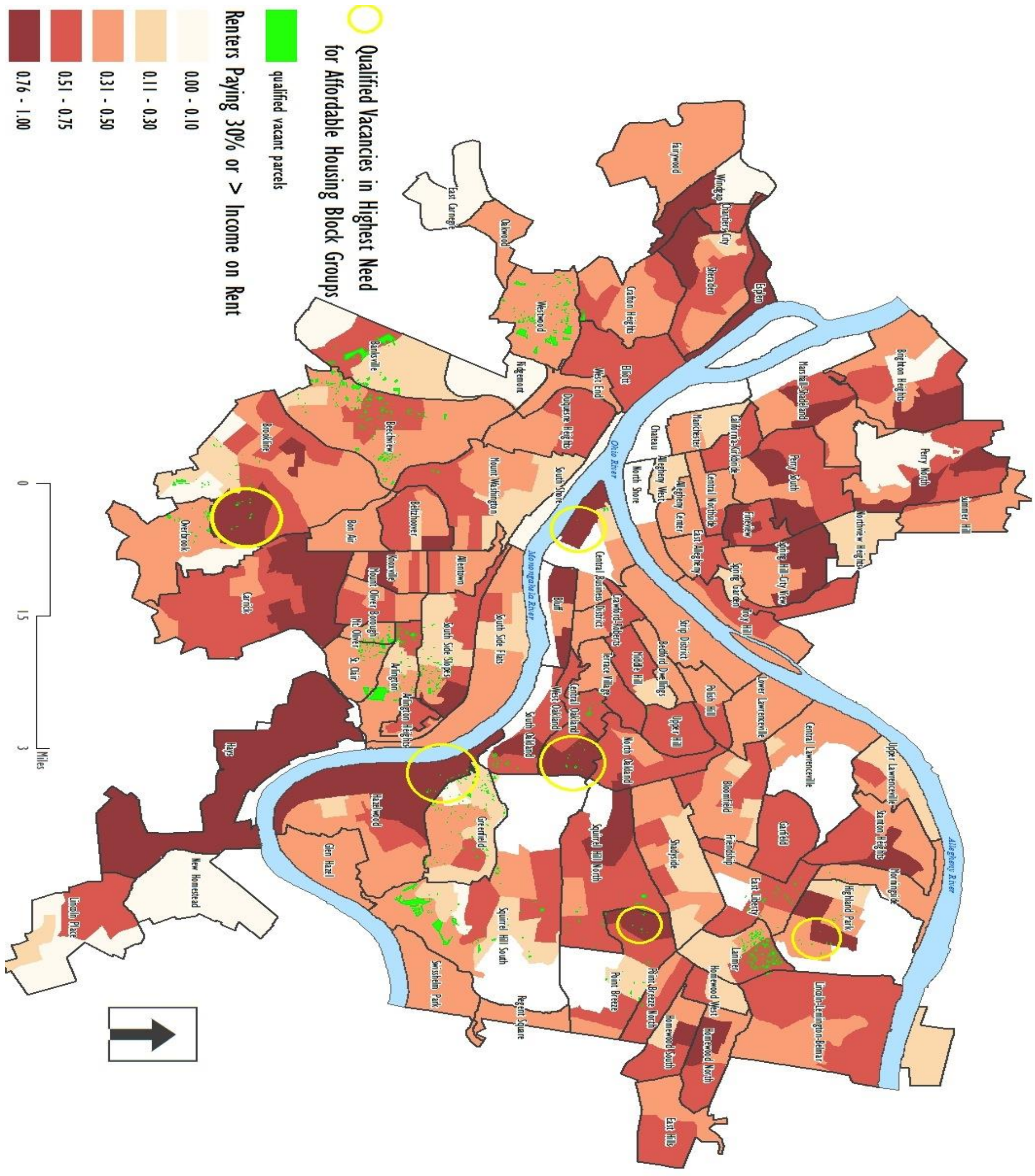

Figure 5-10: Vacant Parcels that are within High Need for Affordable Housing Block Groups and High Opportunity: Pittsburgh, PA

The City of Pittsburgh's GIS shapefiles reveal 26,000 vacant parcels and 17,145 residential parcels, of which 2,363 have a built structure on the land, and 14,782 are solely lots. Of these residential vacant parcels, 2,168 qualify as high opportunity. Sixty-two parcels qualify as high opportunity and are located in a block group where 76% to 100% of renters are paying 30% or more of their income on rent. I decided to focus on areas that had extreme need as a starting point, though more than half of Pittsburgh neighborhoods have 30% or more of their renters paying 30% or more of their income on housing. The extensive need for affordable housing in the city means that there are many more vacant high opportunity lots that could alleviate demands for affordable housing. The 62 qualifying parcels are within six block groups that are in six neighborhoods: Highland park, Hazelwood, Brookline, Central Business District (Uptown), Central Oakland, and Point Breeze.

To further increase the feasibility of the creation of limited equity housing cooperatives in the most sustainable process and placement, the six neighborhoods' community plans will be reviewed to examine their housing needs as well as their individual plans for vacancies. On a city scale, the land banking legislation will be reviewed to further understand how land banking can be utilized to create limited equity housing cooperatives.

Based on research and review of community plans for the six neighborhoods, only three have plans written in the past ten years. Of the three, two have strong well-developed studies of current housing as well as specific goals for future housing. These neighborhoods are Oakland, specifically Central Oakland and Hazelwood. As mentioned in the previous chapter, citywide policy such as the current legislation on land banking was reviewed as an invaluable tool for transforming vacancy into affordable housing in high opportunity areas. Consulting these plans and connecting them to limited equity housing cooperative models will strengthen the likelihood that limited equity cooperatives can be used successfully to create or sustain neighborhood affordability.

Chapter 6: Moving Forward in Hazelwood and Oakland

Hazelwood:

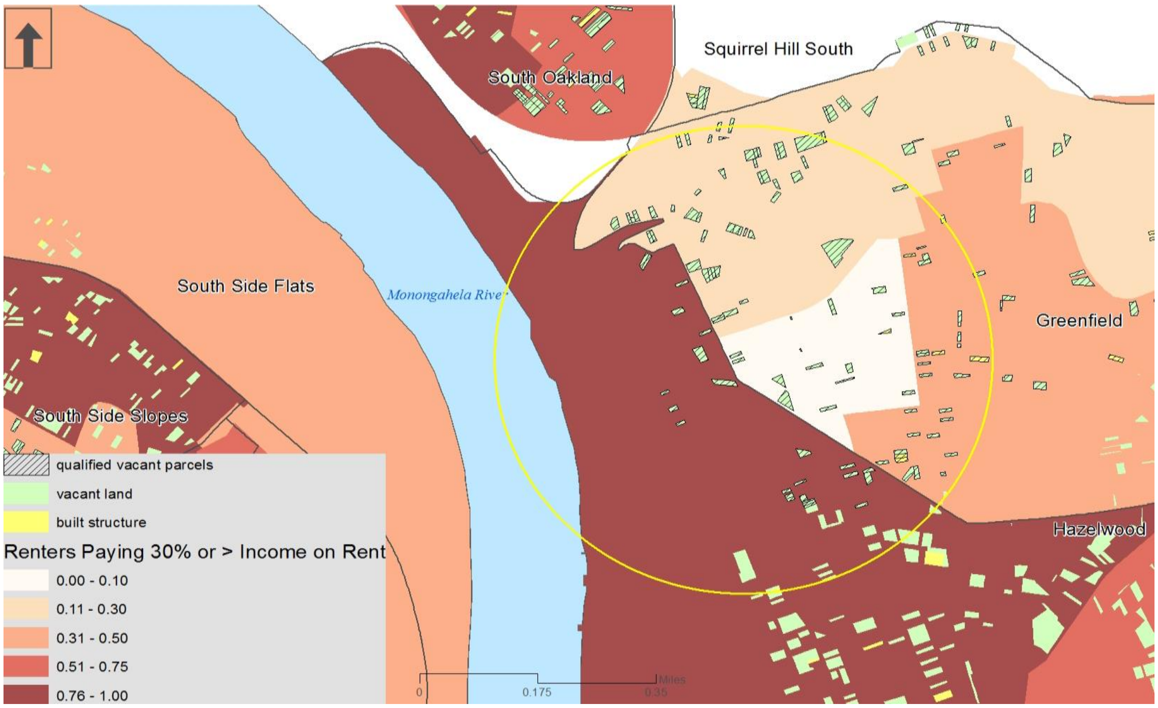

Figure 6-1: Qualified Residential Vacant Properties in Hazelwood

The neighborhood of Hazelwood is a quintessential working class Pittsburgh neighborhood. It's on the Monongahela River, which made it hospitable to industrial use like steel mills. In fact, Hazelwood was the last neighborhood in the city of Pittsburgh to have an operating steel mill; Hazelwood Coke Works closed in 1998 (McNulty, 2009). As Hazelwood has seen economic opportunity disappear, they have also seen high rates of population loss. Hazelwood has one of the highest rates of population decline in the city; from 2000-2010 the neighborhood lost 19% of the population. As of 2010 the population was 4,317. A peak population occurred in 1960 at 12,757, meaning a total population loss of 66% (Pittsburgh City Planning, 2012).

As of 2010, 51% of the neighborhood housing was owner occupied, 20% of the housing was vacant, and 23% was tax delinquent. Twenty-five percent of Hazelwood's population is below the poverty line. Hazelwood's average home sales price in 2010 was \$5,500 compared to the city average of \$75,000. The costs of homes can partially be explained by the age and condition of homes; 49% were built before 1939 and 9% are in poor condition (Pittsburgh City Planning, 2012). The building condition of the area can be seen in the below map:

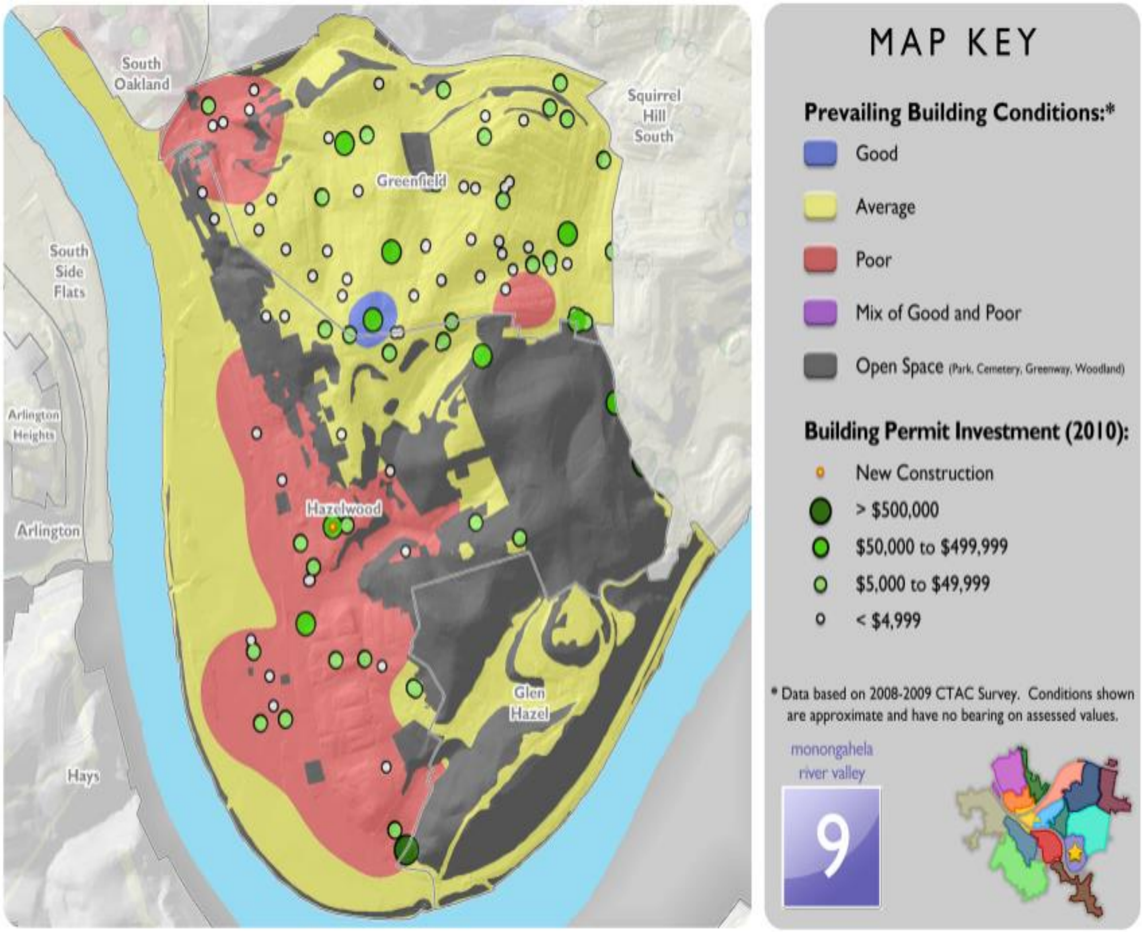

Figure 6-2: Building Conditions in Hazelwood (Pittsburgh City Planning, 2012)

Since the cost of a home in Hazelwood is alarmingly low there is not a high demand for deeply affordable homeownership, although barriers could exist for those that are living below the poverty line to have an understanding of the home buying process as well as access to a mortgage. At this point the housing stock in Hazelwood could be seen as naturally limited equity with no bylaws needed to uphold it. The market of low equity options in Hazelwood deters homeowners from maintaining their home and discourages prospective homebuyers from buying a home in Hazelwood.

If the market already offers affordable housing, why would the neighborhood need a limited equity-housing co-op? Besides affordable rent, there is social capital to gain from living in a co-op. Hazelwood has experienced fragmentation and a loss of community in the last fifty years with the extreme population decline; a housing cooperative could be a steward and stakeholder in community investment. A population-specific cooperative for seniors (25% of Hazelwood residents are 60+) could be very successful for seniors that no longer desire to live in an older home that is not accessible and has high maintenance and utility costs. With seniors living in a limited-equity co-op in Hazelwood, they can retain community connections with family and friends as well as Hazelwood's senior center. Lastly, those that are not looking for the commitment to own a home can benefit from leasing in a LEC to ensure affordable living costs, a high standard of living, and a greater sense of community.

One cannot discuss the future of Hazelwood without discussing the ALMONO site. The site is the former coke plant that closed in 1998. The site is 178 acres of riverfront property. It is the largest undeveloped riverfront property in Pittsburgh, as well as one of the largest brownfield redevelopment sites in Pennsylvania's history. It is owned by four local philanthropic foundations and a regional non-profit. The site as well as the qualified vacant parcels are so valuable because of the close proximity to one of the highest opportunity areas in Pittsburgh. The site is one mile southwest of Oakland, Pittsburgh's second-busiest commercial district (Institutes, 2009).

Figure 6-3: Aerial Shot of ALMONO (flickr)

Through my opportunity-mapping analysis as seen in map 6-1, all of the high opportunity vacancies are empty lots directly adjacent to the ALMONO site, not in the ALMONO site (it is currently zoned non-residential). The most current plans for the ALMONO site do not include affordable housing in the redevelopment. Instead, large philanthropic agencies like the Heinz Endowment aspire to stabilize the existing community by donating funds ($2.35 million) to nonprofits to rehabilitate existing homes occupied by low income homeowners and encourage them to remain in their homes. These agencies also plan to rehabilitate homes and sell them to existing residents. This effort is admirable in its efforts to retain residents that have endured the economic downturns of Hazelwood, yet problematic as it won't require affordable housing for new residents on the ALMONO site which also happens to be the highest opportunity area in Hazelwood. If affordable housing is not demanded on the ALMONO site, a disparity could quickly develop between new residents of the higher ALMONO development and the existing lower income residents. Demanding investment in existing residents is essential to the sustainability of the neighborhood as is demanding affordable housing at ALMONO. A step towards sustainability encourages more equity in income integration in the neighborhood, increases energy efficiency of the neighborhood, and provides low-income residents access to employments hubs in Oakland. In order to ensure that the coming changes to Hazelwood include an increase in high opportunity affordable housing through housing co-ops, I propose the following co-op models be implemented alongside the ALMONO plan.

Recommendations for Hazelwood's Future Co-ops:

- Senior-specific new construction on vacant land adjacent to ALMONO of a tenant-owned or leasing limited equity housing cooperative.

- New construction of a mutual housing facility designed and built under mutual and intentional community theory similar to Dos Pinos where residents can sign up from the beginning on a rent-to-own track.

- New construction of a multi-family building leasing limited equity housing cooperative to assist in community revitalization as well as social capital building like the Mutual Housing of California Cooperatives.

Central Oakland:

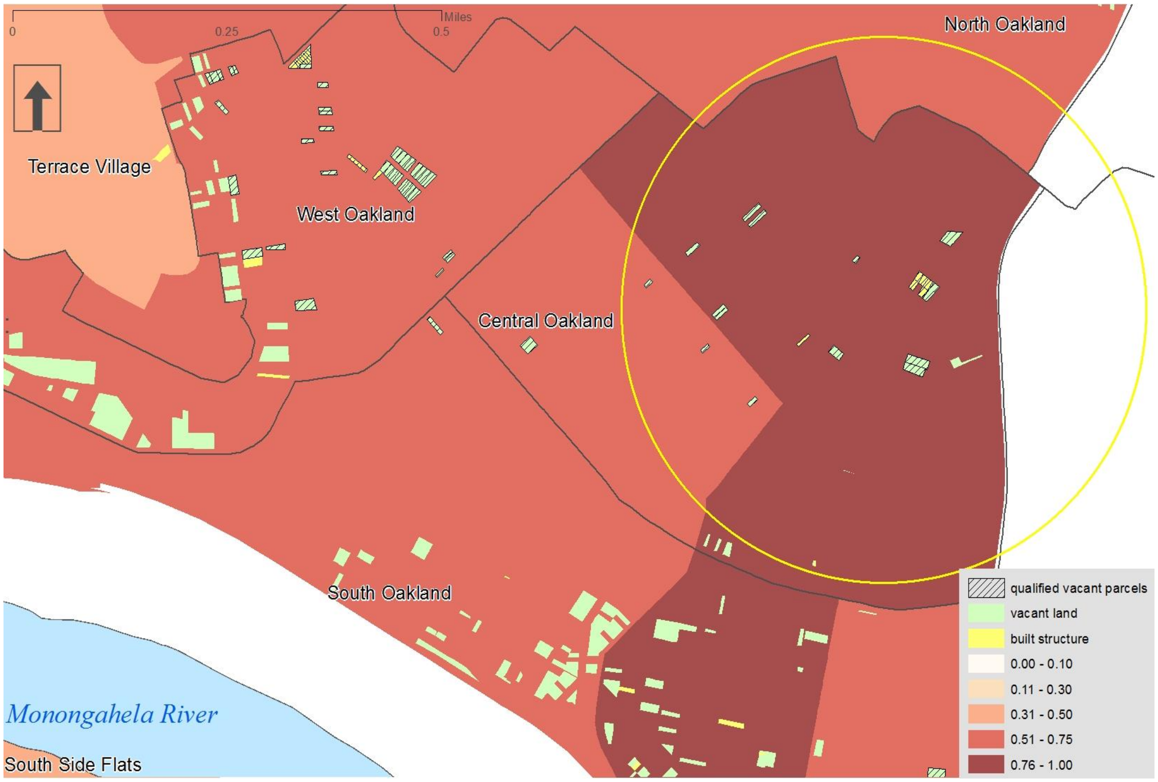

Figure 6-4: Qualified Residential Vacant Properties in Oakland

Oakland is made up of four distinct neighborhoods: North, South, Central, and West Oakland. For this report, I will focus on Central Oakland as it is the neighborhood I have deemed high opportunity and in high need of affordable housing. Central Oakland's population has grown by 15% from 2000-2010, a large difference from the city average decrease of 6%. Eighty-six percent of the housing stock is renter occupied, 6% is vacant, and 45% of the housing stock was built before 1939. Seventy-two percent of the population is between 20 and 34. Median sale price for a home in 2010 was $104,940 compared to a city average of $75,000. Less than 1% of the housing is tax delinquent, and nearly 65% of the population is below the poverty line, though this extreme is likely due to the very large student population that may not have full-time employment (Pittsburgh City Planning, 2012).

The Oakland Planning and Development Corporation (ODPC) is one of the strongest independent community planning and development nonprofits in Pittsburgh. OPDC recently published the Oakland 2025 plan that extensively details housing goals that directly align with LECs and land banking: “Diversify and stabilize Oakland’s housing, address student rentals, create new green infill, develop/maintain affordable workforce housing, provide professional live/work opportunities, rehabilitate and preserve existing homes, implement employer assistance programs, rehabilitation design and funding assistance, develop retirement living options (CCRC) (Corporation, 2012).”

The OPDC has established these goals based upon the current state of the neighborhood which is home to the two largest universities in the city, the University of Pittsburgh and Carnegie Mellon University. The growth of the universities has created a demand for low-cost multi-family student housing that is often affordable based on low quality housing conditions due to poor maintenance. This demand has affected the for-sale housing market by decreasing owner-occupied units as well as encouraging single-family home conversions into multi-family units. These pressures create a difficult housing market for non-investors to enter, as Oakland's real estate is becoming increasingly more expensive than the city average.

Oakland struggles to balance renter-occupied houses with too few affordable owner-occupied housing, particularly for those that work in the neighborhood. OPDC strives to increase socioeconomic diversity to retain a competitive edge as a major employment center in the city. OPDC also aspires to increase community investment with more longtime residents rather than the transient student population. Currently, there are few single family homes in Oakland. Twenty-eight percent of housing stock is single family making it harder for families to buy in Oakland.

The primary goal of the Oakland 2025's housing plan is to diversify the resident population which can only be done by diversifying housing options. The plan recommends increasing higher-quality housing, especially family homes with three bedrooms. It also recommends high-quality housing for single professionals. The plan outlines two strategies to achieve diversity:

1. Shaping market demand to allow potential homeowners to compete in Oakland's single-family residential market.

2. Increasing multifamily rental supply in targeted areas in Oakland.

The Oakland 2025 plan gets specific by outlining exactly how many workers they would like to see move to Oakland. The plan calls for a 7% increase but does not specify time constraints. It demands approximately 1,500 additional housing units with 25% containing at least three bedrooms. The new units will be energy efficient and within a five-minute walk of public space amenities, public transit, and large employment centers.

The plan specifically discusses Central Oakland's housing plan, which is more pertinent to my plan as it is one of the neighborhoods with highest opportunity as well as the one that presents the highest need for affordable housing. Central Oakland is home to the University of Pittsburgh and Carnegie Mellon which gives this area great difficulty with diversity. The 2025 plan proposes to more densely concentrate student housing to relieve more space for families and non-students to rent and own. See below map:

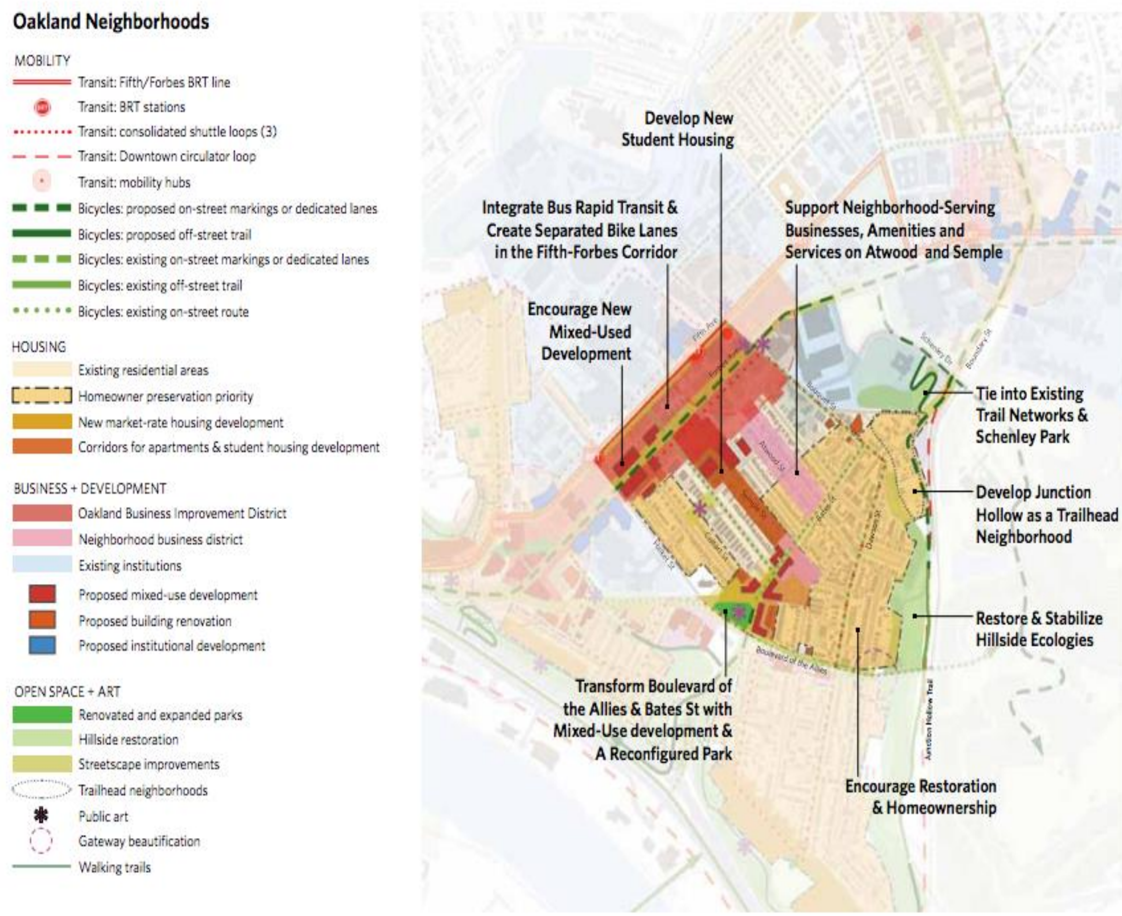

Figure 6-5: Central Oakland Proposed Land Use: Citation 39

Limited equity housing cooperatives could assist in this transition by rehabbing one or several of the vacant structures in the designated area of high opportunity and high need. The creation of LEC from a designated vacant parcel will take students out of the area that OPDC aspires to market to families and young professionals. Student co-ops often accommodate more students in one house so it will increase student population density in the OPDC-designated student area.

OPDC states that, “land banking and property transfers continued land assembly and new home construction/rehabilitation is essential to supply-side strategies.” Fortunately OPDC has extensive experience with land banking, as they have been acquiring properties from the city through the Treasurer’s Sale program for the past several years. Their properties have been both for-sale and rental and both market-rate and affordable. OPDC has made affordable housing properties possible in the past through low-income housing tax credits (LIHTC). OPDC stresses the need to reinvest in aging rental properties as well as increasing access for non-investors to buy property to be owner-occupied. OPDC desperately wants to stop the cycle of disinvestment through speculative land ownership. The plan states that, “Oakland needs a program to purchase options from existing homeowners so that the community is given first opportunity to purchase the home from them or their estate. Homeowners will be offered competitive purchase prices and the homes will be in the pipeline for the Employer Assisted Housing (EAH) program.” The Oakland 2025 plan is ripe with goals and demands that fit limited equity housing cooperatives as well as community land trust shared equity programs.

Recommendations for Central Oakland’s Future Co-Ops:

- Co-Ops that have income limits such as Mutual Housing of California to ensure all workers of large institutions in Central Oakland can live in close proximity to work. The co-op will be new construction to ensure the demands of OPDC are met and energy efficiency, high quality, and varied bedroom plans are offered. A specific example relevant to Central Oakland is Mutual Housing California's Housing at the Highlands, which was newly built with green standards and are three-bedroom two-story town houses with a garage studio to ensure the physical environment encourages population diversity.

- As said earlier, OPDC hopes to shift student housing to be more concentrated in designated areas. There are both vacant lots and built structures identified as located in areas of high opportunity and high need in Central Oakland. I would recommend rehabbing an existing home for cost efficiency to accommodate a large student housing co-op to not only gain use out of a vacant structure but also create density of student housing, discouraging further disjointed spreading of student housing.

- Lastly, for OPDC to gain some control over a rampant speculative land market of investment owners, the OPDC should follow the example of the Champlain Housing Trust in Burlington, VT to acquire land and keep it as shared equity where the targeted population of workforce and professional residents buy the home from OPDC under a limited equity agreement and OPDC retains control of the land to ensure the land serves diverse populations and offers high-quality living.

Chapter 7: Moving Forward with the Creation of Housing Cooperatives through Land Banking and other Systems

Now that housing cooperatives have been explained, models have been analyzed and recommended to fit Pittsburgh's affordable housing needs, and specific locations for the co-ops have been identified, now comes the true task of identifying tools to execute the purchase and incorporation of the proposed limited-equity housing cooperatives. I propose the newly approved City of Pittsburgh-run land bank be the leading tool to be used to acquire land and properties for proposed limited equity housing cooperatives.

Since the program was only established in 2014, I will be relying on the City of Pittsburgh's proposal process and the research that the City utilized to justify each case. Land banking was proposed because the high number of vacancies the City is responsible for generates no tax revenue. According to Bob Gradeck at the Pitt Center for Social and Urban Research, the city currently has 9,017 long-term abandoned properties, making up 5.8% of all housing units. When long-term tax delinquent properties are included, the percentage jumps to between 14% and 17%. This percentage also greatly varies on a neighborhood scale, with some neighborhoods having less than 5% of their housing tax delinquent and others having over 50% of their housing stock delinquent (Zimmerman, 2014).

Mayor Bill Peduto argued, “it would take more than 60 years to work through [the City’s] backlog of blighted and abandoned properties under the current system,” but that it would take less than nine years with a lank bank by allowing the city to acquire properties, clear titles, and remove liens more quickly (Schooley, 2014). Before the 2014 land banking process, the system was grossly inefficient. According to the Kennedy Report, the annual amount of delinquent taxes was $29 million. Annually, only 6% of the property was sold through treasury sale and only 3% was sold out of inventory sales (Kennedy Report).

The 2014 legislation for Pittsburgh land banking outlines guidelines that create a repository for properties that have little prospect for market redevelopment and cost the city exponentially through maintenance and tax delinquency and also bring down the value of neighboring occupied properties. The lead councilwoman for the land bank initiative, Deb Gross of District 7, claims the land bank would be used as a tool to rebuild neighborhoods. To ensure a neighborhood’s visions and values are honored, the legislation stipulates that “the use of land ‘shall be consistent with the provisions of the City's Comprehensive Plan and any adopted neighborhood plans.’ Where such plans don't exist, ‘the Land Bank shall determine that proposed uses are consistent with the goals of the community by consulting with any community groups in the area [as well as] the Department of City Planning, and the Urban Redevelopment Authority of Pittsburgh’” (Hersh, 2014). The land bank can also function to prevent outside investors from changing the trajectory of a neighborhood by buying several properties with only an interest in long-term equity gain. The Pittsburgh land bank has the tool to “trump bid” at treasurer's sale, acquiring property without being the highest bidder (Zimmerman, 2014).

Even with these stipulations, many neighborhoods have had trepidations about the land banking proposal, especially those neighborhoods that have high rates of vacancies and tax delinquency, meaning land banking would greatly affect their neighborhood. Marimba Milliones, president and CEO of the Hill Community Development Corporation in the Hill District, a neighborhood that has a devastating history of city-directed urban renewal, is weary of land banking for neighborhoods that may not have formalized community plans, often because the City has not provided resources for community plans. Neighborhoods with high rates of vacancy and no formal plan are very vulnerable and may be powerless in the land banking process (Zimmerman, 2014). Because of these worries, amendments were made to the proposed legislation requiring that council have veto power over sales for at least the first two years. In addition, the original legislation requires public notice before the land bank can sell any properties (Pittsburgh Post Gazette, 2014).

To ensure equity in the development process, the land bank steering committee has worked with neighborhood leaders that will be most affected by the legislation, such as Hazelwood’s Hazelwood Initiative, a community development corporation. The CDC has been involved in the land banking initiative since the program's inception (Peduto, 2014). Legislation also requires a certain number of board seats be occupied by neighborhood representatives that are affected most by the new program (Pittsburgh Post Gazette, 2014).

Once the land bank breaks ground, its mission is to transform the unused properties into affordable homes, businesses, green infrastructure for storm water management, urban gardens or pocket parks. Land that is no longer considered developable, such as steep hillsides, can become side-yards that can increase the value of existing properties (Hersh, 2014). Most importantly it will ensure there is support for residents that have stayed and sustained neighborhoods in times of depression, making sure to work with homeowners that may be facing hardships and unable to pay taxes to get them back on track. It will also assist families that have inherited properties to gain clear title and possibly gain assistance repairing the home to ensure it remains owner-occupied. An efficient and transparent land banking process will allow for "raising property values, increasing green space, and making land more available to those who have a stake in its reuse. But it is only a tool. Like any other, it is only as effective as those who wield it" (Zimmerman, 2014).

Tips for Implementation and Financing of Housing Cooperatives Beyond Land Banking:

Beyond the tool of land acquisition through land banking there are many other tools that city officials, nonprofits, and residents can pursue to establish limited or group equity housing cooperatives. Many tools and systems are national and easier to replicate but many tools are highly localized and more difficult to discover. I consulted with Brian Donovan the Executive Director of the Austin Cooperative Business Association to briefly map out actions to implement limited and group equity housing cooperatives in Pittsburgh. Brian is highly qualified and well versed in cooperative creation, as he has more than twenty years of experience working with both housing and business cooperatives. Brian's recommendations for cooperative consultation organizations can be found in the appendix.

Housing Cooperative Financing Options Available:

Financing varies considerably for group equity and limited equity co-ops. Limited equity co-op members pay a large share to buy in (50% to 100% of the market price). Someone paying 100% would keep all equity when they sold their share. Shares are often financed with a down payment and a loan for the rest. The National Co-op Bank, CDFIs, and conventional lenders will lend to co-op buyers. Conventional lenders may be leery in Pittsburgh unless they have some experience with co-ops since they cannot repossess the property from the borrower like they could if it were a condo. Members sign a contract that specifies how ownership and equity are to be shared, the rules of the co-op, and their role in how governance of the co-op works.

Group Equity - Members usually pay a very small membership fee ($100 or sometimes less). They provide a deposit and sign a contract that is similar to a lease (except that members get to participate in governing the co-op and managing the property). If the co-op is purchasing the property the co-op has to find/borrow all of the funds to buy the co-op. Member shares are rarely enough to cover the down payment. NASCO has experience with guiding co-ops in the process of gathering this kind of funding. Often "patient" capital has to be found. This could be a friend of the co-op that will provide money for the down payment (at low interest and sometimes deferred payment). Sometimes the friend has enough money to buy the property and owner finance the sale of the property to the co-op. If no friends of the co-op can be found or they lack sufficient funds to provide a down payment, the co-op could access loans from lenders willing to occupy a 2nd 3rd or 4th lien position behind the primary lender. It often takes 25-30% "patient" capital to borrow the remaining funds.

Folks in Pittsburgh could approach the Cooperative Fund of New England (Boston) or Northcountry Cooperative Development Fund (Minneapolis) who are CDFIs that specialize in co-op lending for primary lending. There may also be a local CDFI who would support co-op housing. There are two revolving loan funds that can be accessed if the property is close to a university (Kagawa Fund at Cooperative

Development Foundation), KSCR Fund at Northcountry Cooperative Development Fund). Both of these funds offer short-term (3 year) patient capital as gap funding to be able to secure primary financing. The expectation is that the gap loans will be paid off through refinancing after 3 years, once the co-op has a track record and relationship with their primary lender. (Donovan, 2015)

Chapter 8: Conclusion

Through this report I have illustrated Pittsburgh's significant need for affordable housing. The range of need varies from deep affordability for those living solely on Social Security Income to workforce housing. Ability to pay varies as much as Pittsburgh’s population demographics and culture. Students, seniors, veterans, and low-wage workers emerged through this report as most likely to personally excel and increase their financial sustainability through LECs.

Pittsburgh has a large student population and in a neighborhood like Central Oakland there may be too many students. Offering a diversity of housing options to students will benefit the community as well as the city’s integration of different demographics. The sizeable aging population is a great vulnerability to the city’s sustainability as senior homeowners are pillars to communities. Seniors are one of the largest demographics that live in owner-occupied homes that consistently pay their property taxes. Limited equity housing cooperatives would allow seniors to age in place within their community but not in high maintenance and inaccessible homes, benefitting both the seniors and the city. LECs offer a new opportunity to serve the low-wage workforce as well. Low-wage workforce housing through LECs could possibly be the most demonstratively sustainable, offering equity in high quality affordable living and increasing the desirability and vibrancy of economic hubs in the city, for a varied population. This would also decrease the negative negative environmental externalities of long commutes. As varied as the needs of the Pittsburgh population are, so are limited equity cooperative models, as seen in the case studies.

History has shown that when co-ops are treated like traditional homeownership through policy, financing, and mortgage protection, their capacity for success and growth is exponential. Limited equity housing cooperatives have great potential to serve affordable housing needs with far more freedom than government-run affordable housing. LECs can also be molded to partner with government subsidies. However, limited or group equity housing cooperatives, by definition, offer limited or no equity, a difficult concept for much of American society to accept as we view traditional homeownership as the foremost wealth builder. What can be learned from the case studies, however, is that relying on traditional homeownership to build wealth does not always outweigh other positives that LECs offer in terms of affordability and community. In addition, not all of society has the opportunity to participate in market rate homeownership or renting and there must be varied options like LECs to offer these populations a chance to create a more sustainable city.

Further, in order to ensure sustainable revitalization in Pittsburgh through the creation of limited equity housing cooperatives, the neighborhood setting of the LEC is particularly important. My mapping methodology creates a strong start, but opportunity mapping is nuanced. Through the inclusion of more opportunity indicators, more opportunities for LEC placement could be illuminated, further increasing opportunity for low-income residents. Seizing the opportunity in vacancies as well as one-of-a-kind developments like ALMONO and the land banking tool will be key to Pittsburgh's sustainable revitalization.

Moving beyond this report, people must organize and demand to be part of a limited equity housing cooperative and design the cooperative program to best fit their needs. The City of Pittsburgh cannot control who decides an LEC is fitting for their living needs, but they can prepare supportive programs through the inclusion or integration of LEC in the land banking legislation and neighborhood plans. The inclusion of LECs in these programs and plans as an additional opportunity for affordable housing can only increase the sustainability of Pittsburgh.

Appendix:

Resources for Housing Cooperative Consultation:

Before prospective co-op members seek consultation they must decide whether they will have a limited equity or group equity co-op. Once this has been decided the below organizations can assist with development as well as the initial management of the co-op.

For Limited Equity, organizations that could best provide assistance would be:

National Association of Housing Cooperatives (NAHC): http://coophousing.org/

The Cooperation Group: Brian Donovan

Ontario based group: **Options for Homes**: www.optionsforhomes.ca

For group equity, organizations that could best provide assistance would be:

NASCO: https://www.nasco.coop/development/services

The Cooperation Group: Brian Donovan

All of these groups can help with forming the co-op and helping to create the co-op culture and democratic management structure. In both cases the organizations are usually a 501c3 corporation.

Resources specific to Pennsylvania to explore:

Keystone Development Center: focused on rural development but could still be of assistance to the Pittsburgh area: http://www.kdc.coop/home/

University of Pittsburgh Law School: Explore if there is a free law clinic that could assist with creating by-laws of the prospective housing co-op.

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